Austria	Sch 20	Indonesia	Rp 2500	Portugal	Esc 90
Bahrain	Din 0.650	Italy	L 1500	S Arabia	Rls 6.00
Belgium	BFr 45	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 125
Cyprus	C£0.70	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 8.00	Lebanon	£L 25.00	Sweden	Skr 7.00
Egypt	E£1.00	Luxembourg	LFr 45	Switzerland	SFr 2.20
Finland	Fmk 6.50	Malaysia	Rup 4.25	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 750
Greece	Dr 80	Netherlands	Fl 2.75	U A E	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 7.00	U S A	$1.00
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,965 Friday June 27 1986 D 8523 B

Opposition MPs pierce South African silence, Page 3

World news

TV report divides British Cabinet

The recommendation of a committee into the financing of British broadcasting that all 15 regional commercial television franchises should be put up for auction in 1988 has led to serious disagreements between senior Cabinet ministers.

Home Secretary Douglas Hurd, the minister responsible for television, wants to reject the underlying free-market philosophy of the Peacock Committee report and several of its specific recommendations.

Mrs Margaret Thatcher, the Prime Minister, is understood to be more in favour of taking broadcasting completely into the free market by the end of the century. Page 18

Divorce vote

Ireland's 2.4m electorate voted in a referendum to decide whether to introduce divorce. The result is expected today. Page 2

Emergency stays

South Africa's Law and Order Minister Louis Le Grange said that the national state of emergency would not be lifted soon, as a parliamentary recess promised even tighter control of news of unrest. Page 3

Confidence vote

Portugal's minority Social Democrat Government last night faced a confidence vote. Prime Minister Anibal Cavaço Silva has challenged opposition parties either to let him govern unhindered or face an early election. Page 2

Bonn rejects calls

West German Economics Minister Martin Bangemann rejected US calls for it to boost its economy and said it was making better progress towards cutting its huge trade surplus than Japan.

Turks condemned

Turkey's military court of appeal has ratified nine death sentences and overturned four passed on members of an extreme left wing group convicted of guerrilla attacks before the 1980 military coup.

Belgian air crash

The pilot and two passengers in a light aircraft were killed when it collided with a Belgian Air Force jet, whose pilot ejected safely.

Top Chinese to stay

Premier Zhao Ziyang of China said there was no plan for President Li Xiannian or Communist Party chief Hu Yaobang to retire at its next congress set for late next year.

Britons released

Two British engineers held in Nigeria for over two years won their appeal against 14 years jail terms for conspiracy and theft of an executive jet.

Magazine editor

New Statesman, British left-wing weekly magazine, named John Lloyd, Financial Times industrial editor, as its next editor.

Business summary

Banca del Lavoro to sell 49% of equity

BANCA Nazionale del Lavoro, Italy's largest bank, plans to take 49 per cent of its equity out of state hands and sell it to Italian and foreign investors. Page 18

WALL STREET: The Dow Jones industrial average closed 4.85 down at 1,880.2. Page 38

TOKYO: New peaks were reached as investors sought medium-priced incentive-backed stocks. The Nikkei average advanced 84.32 to a record 17,600.95. Page 38

LONDON: Institutional and US support pushed leading equities higher again. The FT Ordinary share index added 8.3 to 1,353.1, while the FT-SE 100 closed 8.1 better at 1,637.5. Page 38

DOLLAR fell in London to DM 2.2215 (DM 2.2160). It rose to FFr 7.0825 (FFr 7.0650); SFr 1.8195 (SFr 1.8175) and was unchanged at Y166.0. On Bank of England figures, the dollar's index rose to 115.5 from 115.0. Page 31

STERLING rose in London to $1.5195 ($1.5170). It also rose to DM 3.3750 (DM 3.3625); SFr 2.765 (SFr 2.7575); FFr 10.7625 (FFr 10.7175), and Y252.25 (Y251.75). The pound's exchange rate index fell 0.1 to 76.0. Page 31

GOLD rose $0.75 to $345 on the London bullion market. It rose in Zurich to $345.20 from $344.25. Page 30

HOESCH, West German steel group which last year paid its first dividend in a decade, expects a significant increase in earnings for 1986 on the basis of its performance so far.

BASF, the West German chemicals concern, has found sales picking up in the second quarter after a restrained start and is "highly optimistic" about prospects for the rest of the year.

LIFFE, the London International Financial Futures Exchange, is to spend £1.2m ($1.8m) on a big increase in trading capacity. Page 6

JAPANESE semiconductor manufacturers fear that long-running talks with the US over alleged dumping of Japanese micro chips in the US may end without agreement. Page 4

VOEST-ALPINE, troubled Austrian state-owned steel and industrial group, is holding talks with unions aimed at cutting administrative and service staff by 2,400.

THAMES Television, London commercial TV station, said the offer for sale of 35 per cent of its equity was almost 26 times oversubscribed. Page 17

COMPANIA Telefonica, Spain's 47 per cent state owned telecommunications group, increased net profits last year 20 per cent to Pta 39.15bn ($275m). Page 17

AMERICAN Medical International, US hospital group, admitted a 59 per cent fall in third quarter earnings to $21.5m was incurred because it was not managing its costs effectively. Page 17

Thatcher and Kohl hold out against Pretoria sanctions

BY QUENTIN PEEL IN THE HAGUE

AN IMPORT ban on South African coal, iron, steel, fruit and vegetables, proposed by the Dutch presidency of the European Community, last night threatened to divide EEC leaders at their summit meeting in The Hague.

Both Mrs Margaret Thatcher, the British Prime Minister, and Chancellor Helmut Kohl of West Germany maintained firm opposition to any imposition of sweeping economic sanctions, as part of a package of measures to persuade the South African Government to open a dialogue with genuine black political leaders.

The heads of state and government of the 12 member states were struggling last night to find common ground on a "balanced package", which most believed should include some restrictive economic measures, as well as "positive" action to support anti-apartheid groups.

Mr Ruud Lubbers, the Dutch Prime Minister and chairman of the summit, appealed to his colleague to find a balanced response which would promote dialogue in South Africa.

British and German officials made clear that their Governments remained very sceptical about the value of hostile economic moves in promoting a dialogue.

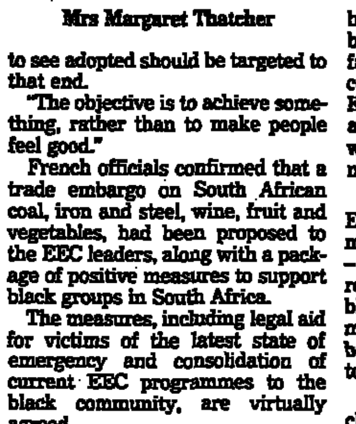
"We want negotiation and we want dialogue," a British official said. "Measures we would be happy to see adopted should be targeted to that end.

"The objective is to achieve something, rather than to make people feel good."

French officials confirmed that a trade embargo on South African coal, iron and steel, wine, fruit and vegetables, had been proposed to the EEC leaders, along with a package of positive measures to support black groups in South Africa.

The measures, including legal aid for victims of the latest state of emergency and consolidation of current EEC programmes to the black community, are virtually agreed.

Those member states seeking stronger economic measures are Denmark, Greece, Ireland, Spain and the Netherlands. Belgium, France and Italy are prepared to go along with limited action, provided all the member states join in.



Mrs Margaret Thatcher

Portugal shares the same basic opposition as Britain and Germany, influenced in part by the 600,000 Portuguese living in South Africa.

France, represented at the summit by both President François Mitterrand and Mr Jacques Chirac, the Prime Minister, seems ready to go along with most of the trade measures, which would make a big dent in South Africa's exports to the Community but not damage EEC economies seriously.

The wine, fruit and vegetable embargo plan, in particular, would benefit both French and Italian farmers by removing a source of competition for products in surplus. Keeping out South African steel and iron would also be positively welcomed throughout the Community.

The issues were discussed by the EEC foreign ministers yesterday morning without any clear solution – although general agreement was reached on the measures to support black groups. The heads of government only reached the subject just before dinner, when they were due to continue the debate.

The issue of South Africa could cloud an otherwise relatively conflict-free meeting – the regular six-

Continued on Page 16

Some trade unions freed, Page 3

US sees fresh hopes in Soviet arms proposals

BY WILLIAM DULLFORCE IN GENEVA

FRESH opportunities for serious constructive discussion of nuclear disarmament may have been opened up by the latest Soviet proposals put forward at the nuclear arms control talks in Geneva, the US acknowledged yesterday.

In the most optimistic statement he has yet made, Mr Max Kampelman, the head of the US delegation to the talks, said at the end of the fifth round that his team was returning to Washington to "participate in the preparation of a constructive response" to the Soviet proposals.

Moscow had introduced a new option in the negotiations on reductions in strategic nuclear weapons, Mr Kampelman said. Modified Soviet proposals in the talks on space weapons had been "responsive" to some US concerns.

The Soviet Union has offered as an intermediate step to negotiate a reduction of strategic nuclear forces to 8,000 "nuclear charges" on each side. It has kept on the table the fuller 50 per cent reduction first mentioned at the summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev in November.

More significantly, perhaps, the Soviet agreed not to count intermediate nuclear force (INF) weapons stationed in Europe – such as US Pershing and cruise missiles – among the strategic weapons.

In the talks on space weapons, Moscow softened its previous demand for a complete halt to President Reagan's Star Wars programme. It accepted that basic research should continue and that laboratory research would be held at the present "threshold."

In return, the Soviets wanted the US to agree to extend the existing anti-ballistic missile treaty for at least 15 years. They also offered to negotiate agreements banning space weapons aimed at satellite and targets on Earth.

The cautious hopes expressed by Mr Kampelman received rough treatment from Mr Viktor Karpov. Mr Kampelman's assessment presented the actual state of negotiations in a distorted light, a press statement from the Soviet delegation said. The US had continued to block progress in the talks and had evaded a businesslike consideration of the Soviet proposals.

US may reduce growth forecast from 4%

By Stewart Fleming in Washington

THE REAGAN Administration is expecting to have to lower its real economic growth projections for 1986 from the current level of 4 per cent and to raise its estimates of the fiscal year 1986 budget deficit when it releases its mid-year review of the budget outlook next month.

With first-quarter real growth of only 2.9 per cent, and the second quarter widely expected to be lower, officials concede that it is increasingly unlikely that the current 4 per cent growth target can be met. After the first quarter it was estimated that the economy would have to grow at about 4.9 per cent through the rest of the year to reach the 4 per cent level for the 12 months.

Growing pessimism about the economic outlook is already translating into mounting political pressure on the Federal Reserve Board to cut its discount rate again and ease monetary policy.

The White House dropped a heavy hint earlier this month that, while not wanting to interfere with the Fed's independence, it would like to see interest rates decline. Yesterday, Mr Robert Dole, the powerful Senate Majority leader, reinforced the message he has been sending recently to the central bank, calling on the Fed to lower interest rates, saying "now is the time to lower interest rates ... this would help to stabilise, not disrupt, the current economic situation."

The increasing political pressure on the Fed as the economy stagnates and the mid-term elections approach, comes ahead of a key meeting of the central bank's monetary policymaking Open Market Committee (FOMC) on July 8-9. Shortly after this meeting, Mr Paul Volcker, the Fed Chairman, will be testifying on the Fed's monetary policy in Congress.

On Wall Street, economists who watch the Fed are increasingly predicting that the central Bank will lower its discount rate and – particularly after the gloomy first-quarter gross national product report from Japan – that this could come in the context of another internationally co-ordinated discount rate reduction.

Meanwhile, on Capitol Hill yesterday a conference committee of the House and the Senate which has been working to try to patch together a fiscal 1987 congressional budget resolution, appeared to be nearing agreement.

The main stumbling block has been defence spending, with neith-

Continued on Page 16

ITT in talks on European telecom deal

BY JASON CRISP IN LONDON, PAUL BETTS IN PARIS AND ALAN FRIEDMAN IN MILAN

EUROPE'S fragmented telecommunications industry may be close to a huge upheaval and reorganisation which would be extraordinarily complex and have considerable long-term repercussions.

ITT, the US conglomerate which has substantial telecommunications interests across Europe, has long been seen as the key to changing an industry that has been traditionally highly nationalistic.

Yesterday ITT confirmed in a terse statement that it had held discussions with the French state-owned Compagnie General d'Electricité (CGE). These discussions are in fact at an advanced stage, and proposals are understood to have been made to the French Government. That confirmation helped send the troubled ITT's share price yet higher on Wall Street to $53 at one stage yesterday – up $7 from Tuesday.

Discussions are still going on and a conclusion is expected within the next few days. If successful, the talks could create a huge telecommunications group with interests across Europe and with access to the US market. But the complications of shareholdings, political interests and technical systems are enormous.

The current proposal is thought to run roughly along the following lines: a new joint venture company would be formed in which ITT would hold 30 per cent. This company would consist of ITT's substantial European and US telephone equipment businesses, which last year had turnover of $4.6bn, and Alcatel, CGE's telecommunications subsidiary. CGE would hold about 50 per cent of the joint venture.

Other companies thought to be interested are Société Générale de Belgique, and Britain's two main telecommunications manufacturers, Plessey and GEC.

Stet, the Italian telecommunications holding company, was rumoured to be interested in talking a 10 per cent stake but denied this strongly yesterday. An official in Rome said: "We have never been part of the negotiations, we have no interest whatsoever in the deal and we can exclude any further interest."

For ITT there is the huge benefit of receiving about $2bn for the sale of assets and a reduction of debt. It would also lift some of the burden of System 12, the digital telephone exchange which ITT has spent over $1bn developing and which has run into technical problems in several countries, including Norway and France.

Yet such a deal is fraught with difficulties. First, there is the complexity of France's own telecommunications policy. Alcatel is also in parallel discussions with American Telephone & Telegraph though it is thought that the two deals are not necessarily mutually exclusive.

Second, many of ITT's European telecommunications subsidiaries in Europe are partly locally owned, most notably Standard Elektrik Lorenz, its large and fiercely independent West German subsidiary, when is only 86 per cent owned.

Third, it is going to bring together conflicting interests through a wide variety of different systems of digital telephone exchanges. Alcatel itself has two systems as a result of its 1983 merger with Thomson of France. ITT has System 12, while GEC and Plessey have System X in the UK.

In addition, Plessey has a second system in the US being sold by its subsidiary Stromberg Carlsson. And if AT&T is involved with the French and Alcatel, that introduces yet another system into the melting pot. AT&T also brings Philips, the Dutch electricals group, into the equation through their joint company APT, which sells the US company's digital exchanges.

This complex venture is the product of Mr Georges Pebereau, the urbane chairman of CGE, long a master of international deal making.

For more than a year, he has negotiated separately with ITT and AT&T. He has reached a major industrial agreement with AT&T, in association with Philips, which would give Alcatel the support of AT&T to market its digital switches in the US and would also form a joint venture to strengthen its microwave business.

In return, AT&T would gain access to the French public telephone switch market with an initial

Continued on Page 16

In tomorrow's special issue we look at different styles of travel; we discover the best delis and department stores; and we check out the New York fashion buys. We look into skyscraper gardening ... and skyscraper housing to make it possible. Even our chess and bridge columns and crossword have a US flavour

All in the weekend FT tomorrow.

Ferruzzi seeks UK clearance before any British Sugar deal

BY LIONEL BARBER IN LONDON

FERRUZZI, the giant Italian food and agricultural business, yesterday took the unusual step of asking the UK Government to order a Monopolies and Merger Commission inquiry into its shareholding in S&W Berisford, the commodity trading group.

Mr Raul Gardini, the Ferruzzi chairman, made the request during a press conference in London when he outlined his interest in buying the whole of, or a controlling stake in British Sugar, the UK beet monopoly which is a wholly-owned Berisford subsidiary.

The Office of Fair Trading (OFT) said yesterday that it was examining Ferruzzi's proposals and would make a recommendation to the Secretary of State for Trade and Industry, Mr Paul Channon, shortly. Under the Fair Trading Act 1973, the declaration of intent to make a bid is enough to warrant a Monopolies Commission reference.

Mr Gardini, flanked by his merchant bank advisers, Barclays De Zoete Wedd, said that Ferruzzi wanted to be treated on an equal footing with Tate & Lyle, the UK sugar refiner, whose conditional bid for Berisford has been referred to the Monopolies Commission. Tate has made clear that it is only interested in acquiring British Sugar, a move which would give it more than 90 per cent of the UK sugar market.

Ferruzzi stopped short of unveiling a formal offer for Berisford, but it signalled that it was serious in its intentions by announcing the appointment of Sir Richard Butler, a former president of Britain's National Farmers' Union, as chairman of Agricola UK, a newly created vehicle for Ferruzzi's interests in Britain.

The failure to announce a formal bid drew criticism from Charterhouse Japhet, merchant bank advisers to Berisford. Mr Sandy Muirhead, of Charterhouse, said that Ferruzzi should clarify its position in the interests of Berisford shareholders.

The National Farmers' Union also attacked Ferruzzi's proposals. Mr David Naish said in a statement that the NFU had "said consistently that we would prefer British Sugar to remain in British ownership."

Mr Naish said the NFU had asked the OFT to examine whether it was advisable to allow Ferruzzi to control such a large portion of the European sugar industry. Ferruzzi currently has 18 per cent of the European market; if it were to control British Sugar, its share would rise to 22 per cent.

Mr Gardini said Ferruzzi would only increase its stake in Berisford if there were no objections form the OFT.

Lex, Page 16; News analysis, Page 22

CONTENTS

EUROPEAN NEWS

Air traffic in Europe 'to increase by 5.4%'

The Association of European Airlines is predicting a 5.4 per cent annual growth of air traffic in Europe for the next five years, AP reports from Brussels.

Passenger traffic is expected to rise from 43.5m to 53.8m in 1990, the association said yesterday.

The forecast is based on a 2.5 per cent annual growth of the European gross national product and steadily decreasing inflation.

The association said total international air traffic dropped by 3.1 per cent in April, reflecting the public response to recent political events coinciding with an already-weakened demand from the US. Traffic dropped by 10.4 per cent on the North Atlantic, but increased 17.5 per cent on the South Atlantic.

Soviet N-plant plan

Soviet authorities are going ahead with plans for the country's biggest graphite-moderated nuclear power station despite the Chernobyl accident, according to officials in the republic of Lithuania, *Reuter reports from Vilnius.*

The four-reactor plant at Ignalina, Lithuania, will have a capacity of 6,000 Mw, making it 50 per cent larger than Chernobyl and one of the most powerful plants in Europe.

Le Pen gun alert

National Assembly deputy Mr Jean-Marie Le Pen, leader of France's extreme right wing National Front, said yesterday he was involved in a dispute with customs officials at New York's Kennedy airport who found a gun in his luggage. The dispute arose over the validity in the US of a permit justifying his carrying of a gun, *AP reports from Paris.*

Fermenta accused

The Swedish Bank Inspection Board accused Mr Refaat el-Sayed, main owner and group chief executive of biotechnology company Fermenta AB, of violating laws barring insider trading, *Reuter reports from Stockholm.*

France 'assures Arabs'

France has told Arab powers that it will not supply Iran with arms and is interested in helping end the Gulf war, the newspaper Al-Qabas said yesterday, *AP reports from Kuwait.*

FitzGerald appeals for support on divorce

BY HUGH CARNEGY IN DUBLIN

THE Irish Government today anxiously awaits the results from yesterday's referendum on a proposal to introduce divorce for the first time.

An opinion poll on Wednesday showing the proposed constitutional amendment would be defeated prompted a wave of last minute appeals from Dr Garret Fitzgerald, the Prime Minister, and other government ministers, for voters not to reject the move.

For the first time in the campaign, they stressed the implications a defeat could have for hopes of reconciling the Republic and Northern Ireland, where Unionists would regard it as proof of the dominant position of the Roman Catholic Church in the south. A statement by four Fine Gael parliamentary deputies said defeat would make the border like the Berlin Wall.

In a similar vein, Mr Barry Desmond, Health Minister, a member of Fine Gael's coalition partner Labour, attacked the attitude of the Catholic hierarchy which strongly opposes divorce under any circumstances.

"One would expect a body of men so intimately connected with the tragic history of this divided country to place greater emphasis on the need to reconcile both traditions

"No-one will die as a result of the introduction of divorce," he said. "Many may die if we do not take the necessary steps to heal the divisions on this island."

Dr Fitzgerald has pinned much of his political career on trying to make the Republic a more liberal society and his authority, and that of his coalition, would be seriously undermined.

Voting continued until 10 pm last night and counting does not start until this morning. Early indications were that turnout would be around 55 per cent, which compares with 53 per cent in a referendum three years ago which enshrined a ban on abortion in the constitution.

FitzGerald . . . warning

Opec hopes for majority accord on output

BY RICHARD JOHNS IN BRIONI, YUGOSLAVIA

DETAILED discussions on the level of collective output best geared to raise oil prices to the $17-$19 per barrel range by the end of the year are expected to start today as the meeting of the Organisation of Petroleum Exporting Countries enters its third day.

"I think we will come up with an agreement," Sheik Yamani, the Saudi Arabian Minister of Oil, said yesterday. However, it is generally accepted that at best this can only be a majority accord, with Iran, Algeria and Libya once again disassociating themselves.

Moreover, any new and higher ceiling clearly could not apply before the last quarter of 1986.

Talk is likely to centre on a figure of $17.5m b/d. Iraq is understood to have given some ground for hope that its demand for a much higher quota might be accommodated within such a limit.

Opec experts acknowledge that the surge in the group's output to 19m b/d in June means that demands for members' crude and stocks will be less than the 17.2m b/d forecast in the report of the Economic Commission Board, drawn up late in May.

For the October-December period the requirement from these sources was projected at 18.4m b/d.

Some members among the majority giving priority to regaining market share are insistent that more attention should be given to "managed price competition," or limiting the damage to per barrel revenues.

They are alarmed at the increase in the volume of Opec oil flooding the market in the second quarter, averaging about 18m b/d compared with the estimate of 16.3m b/d demand made at the last conference.

Doubts still persist, meanwhile, as to whether Saudi Arabia, Kuwait and the United Arab Emirates sincerely want an end to the price war in the near future. There is speculation that they want to continue a squeeze on non-Opec production to bring about some kind of global agreement, recognising a much bigger share of the market for Opec.

Among the minority, Iran has initially given the impression of being more conciliatory. It has proposed a cut of 10 per cent in Opec output from the level of demand agreed upon by the experts. In practice, though, they are unlikely to reach any consensus.

Algeria and Libya have shown no signs of shifting from their insistence of a reduction of 14-14.5m b/d.

The group of five ministers charged with maintaining contacts with other producers were said by delegates to have clarified the kind of contribution in the form of output restraint that might be forthcoming from those willing in principle to assist Opec in devising a plausible output-sharing system.

They believe that Mexico, Egypt, Oman, Guyana, Malaysia and Brunei would be prepared to collaborate if Opec observed from October a ceiling in the region of 17.5m b/d.

Anti-nuclear wave hits Yugoslav party congress

BY ALEKSANDR LEBL IN BELGRADE

THE post-Chernobyl wave of anti-nuclear sentiment hit the Yugoslav Communist Party congress yesterday, with some delegates urging an end of the country's nuclear power programme and a ban on US and Soviet navy ships carrying nuclear weapons entering Yugoslav ports and waters.

The calls were more a reflection of the diversity of opinion expressed at the congress that takes place every four years than a serious threat to the policy of the Mikulic government, which despite recent postponement of the one new nuclear reactor scheduled to be built in the next five years wants to retain the nuclear energy option.

The congress started on Wednesday with a tongue-lashing speech from Mr Vidoje Zarkovic, the retiring party president, who criticised the party for failing to help push through economic reforms.

Most of the hundreds of delegates who have spoken so far have favoured market-oriented economic reform, less state interference in busines life and less constriction of private enterprise.

In voting changes which may help both democratise and strengthen the party at the federal level, delegates will today elect, by secret ballot, the 165-member party central committee.

Zurich conference to discuss exchange rates

BY JOHN WICKS IN ZURICH

THE international parliamentary working round on exchange rates and co-ordination, to be held in Zurich this weekend, is described by its organisers as the "working flipside" of May's Tokyo summit.

The informal conference, called by the Washington consultants Smick-Medley and Associates, is intended to focus on "defining the political and intellectual boundaries of the proposed new co-ordination agenda."

Mr David Smick said in Zurich yesterday that this would mean discussing whether a consensus existed on international co-ordination. A report on the proceedings was to be forwarded to finance ministers, central banks and parliaments before the September meeting of the International Monetary Fund.

The Zurich event, which follows the US congressional summit on exchange rates and the dollar, organised by Smick-Medley in Washington last November, will feature short speeches by over 20 leading political, government and business representatives

These include Dr Karl Otto Poehl, President of the Bundesbank, Mr Michael Candessus, governor of the Banque de France US Senator Bill Bradley and Mr Onno Ruding, Dutch Finance Minister, and chairman of the Group of Ten and the IMF interim committee.

EEC reform of trade barriers 'behind schedule'

BY QUENTIN PEEL IN THE HAGUE

THE European Commission yesterday warned member states of the EEC that plans to remove all barriers to trade within the Community were falling well behind schedule.

In strongly worded criticism of the Council of Ministers — the decision-making body of the 12 member states — the Commission said it had "not shown the sense of urgency or determination to see the programme through on time."

The Commission singled out finance ministers and agriculture ministers for failing to make progress with important proposals for scrapping trade barriers.

Its progress report on the work to achieve a genuine common market in the Community by 1992 — as agreed by EEC leaders a year ago in Milan — was presented to yesterday's summit meeting in the Hague.

Referring to plans to reform the Treaty of Rome in order to speed decision-making in the Council of Ministers, agreed in Luxembourg last December, the Commission said: "The Spirit of Luxembourg does not appear to have infused the attitudes of member states in the Council

The Dutch Government, which holds the chair of the EEC Council of Ministers, still claimed good progress in removing specific barriers to trade, but admitted it was not enough to meet the timetable.

"It has become clear to the Presidency that the internal market can only be achieved if the institutions and the member states make even greater efforts," it said.

The Dutch singled out three areas for particular emphasis:

- The need to agree on tax harmonisation, described as "an essential prerequisite for completion of the internal market."
- The need for greater competition for government spending contracts across EEC frontiers.
- The liberalisation of transport, the lack of which resulted in "very high unnecessary costs."

All are controversial for many member states and the Commission paper noted the failure of finance ministers to make progress with several proposals on harmonisation of value added tax and excise duty.

It also claimed that agriculture ministers had "devoted little time to (internal market) proposals" in their area of responsibility.

The Commission also claims some share of responsibility for slippage, for not producing all its proposals on time.

EEC asked to back food export co-operation

BY QUENTIN PEEL IN THE HAGUE

EEC leaders were yesterday asked to endorse a plea for more co-operation between the world's leading food exporters to stabilise world markets.

The European Commission and the Dutch presidency of the Community called for a stress on greater co-operation to underpin the efforts of the EEC and other producers to reform their farm sectors and curb overproduction.

Without such co-operation, the Commission warned, "the exporting countries risk adopting support measures which lead to increased financial costs without corresponding benefits for the agricultural community."

The Dutch proposal says that the problem of overproduction of major foodstuffs—cereals, dairy products and meat—is worldwide and requires a co-operative solution on a similar scale.

The stress on the need for co-operation is an old theme which has not hitherto produced any successful co-operation, even between exporters such as the EEC, the US, Australia, Canada, New Zealand and Argentina.

The position put to the heads of government at their summit in the Hague suggests a new stress on a co-ordinated market approach, both in international trade negotiations like the new round of the General Agreement on Tariffs and Trade (Gatt) and in bilateral talks such as those under way between the US and EEC.

"In this situation, the need for concerted action in the world context is evident," the European Commission concludes. "Such action must concern not only the adjustment of domestic support policies in a way that is mutually coherent . . . but also co-operation for the stabilisation of world markets and the development of world agricultural trade."

Vote of confidence for Lisbon government

By Peter Wise in Lisbon

PARLIAMENT was to decide the fate of Portugal's minority Social Democrat Government last night in a vote of confidence. Mr Anibal Cavaco Silva, the Prime Minister, has challenged opposition parties either to let him govern unhindered or face an early election.

The opposition was expected to refrain from toppling the centre right administration and provoking a crisis.

Defeat of the motion would force the Government to resign. A victory would give the Prime Minister greater moral authority in his repeated confrontations with parliament but would not necessarily ease the practical problems of getting legislation through with a minority of less than a third of the parliamentary seats.

The declared opposition of the Socialists and Communists and the expected abstention of the centrist Democratic Renewal Party (PRD) unexpectedly made the votes of the 22 Christian Democrat deputies crucial to the Government's survival.

Although natural government supporters, the Christian Democrats allowed speculation to mount over their voting intentions in an apparent bid to win counter benefits for backing the Social Democrats.

Mr Cavaco Silva tabled the confidence motion on the grounds that the Government programme approved by the opposition when he came to office last October was being subverted by persistent alterations, delays and blockages of government legislation in parliament.

His action was provoked by opposition changes to the budget, restrictions on plans to reprivatise state media and move to delay the revision of rigid labour laws that make it almost impossible to dismiss workers.

Opposition parties accuse Mr Cavaco Silva of failing to accept a minority government's obligation to seek compromise and consensus on policy and of creating an artificial conflict to deflect attention away from the Government's alleged inability to revive business confidence, despite favourable economic conditions.

But the Prime Minister appears to have calculated his risks carefully. If he must face an election, he would clearly rather do so before economic growth falters

French papers make a splash in the regions

By David Housego in Paris

TWO OF FRANCE'S national papers are bringing out regional editions in Lyons in what marks a small upheaval in the press of the country's second-largest city.

Le Monde began its Rhône-Alpes edition in January and now daily publishes two pages of regional news and analysis by dropping the Paris entertainments guide that appears in the national edition.

The modest aim is to maintain the loyalty of its existing readership and to achieve a 10 per cent increase in sales.

Libération has a far more ambitious project: to develop a genuinely local paper into which the national edition will be slipped. It has recruited 50 staff locally, including 30 journalists and is spending more than FFr 12m ($1.7m) in launch costs with a start-up planned for September.

Both moves have been accelerated by the recent takeover by Mr Robert Hersant, the right-wing press proprietor and owner of Le Figaro, of the Progrès de Lyon and its sister papers. The takeover gives the Hersant press a virtual monopoly of newspapers in the region.

Attempts by the former Government to block further expansion by the Hersant group came to nothing, and the Government of Mr Jacques Chirac has been putting a new press Bill through the National Assembly which effectively removes some of the obstacles to the continuing growth of the Hersant empire.

Both measures of decentralisation by the national press also come at a time when there has been a sharp drop in Lyons in newspaper readership. Mr René-Pierre Boulhu, the new local editor of Libération, says the situation for the press in the area is "catastrophic," with 150,000 families abandoning readership of newspaper over the past 10 years.

Among the most popular papers in Lyons are the freely distributed advertising journals which are thin on news and heavy in classified advertising.

Libération will be providing 16 pages of news on Lyons a day, aimed at its young readers who are mainly in the 25-30 age bracket. Much of its coverage will be based on providing a personal focus on the problems and enjoyments of living in the city.

If the Lyons edition proves successful, Libération plans to launch similar ventures in other cities such as Toulouse

Balmy weather makes for EEC summit's festive air

BY LAURA RAUN IN THE HAGUE

BALMY WEATHER and a relatively relaxed agenda for the European Communityl summit in The Hague created a rather festive air that even the super-organisation of the Dutch hosts failed to suppress.

Cordiality prevailed during a traffic jam as Mr François Mitterrand, the French president, and Chancellor Helmut Kohl of West Germany leaped out of their cars to stroll together.

The only real threat to the comparative calm is the issue of South Africa, which could leave the 12 summit members in disarray if no agreement is reached.

Motorcades ferried the government leaders to a lunch with Queen Beatrix and later to the Kurhaus coastal resort. The clampdown on news left the 750 accredited journalists lolling about the courtyard of the Agriculture Ministry while summit talks went on next door.

The Netherlands, as current EEC chairman, has spared no effort in staging the semi-annual summit designed to give prime ministers and heads of state a chance to ponder broad issues in studied casualness.

Security measures alone have cost the Dutch government Fl 3m (£680,000) and involved 2,400 policemen—preparations surpassing those for last year's papal visit.

A Dutch frigate is moored off the 19th-century Kurhas while helicopters buzz overhead and sandfilled skips surround the press centre.

Kurhaus staff have been vetted for a year and a security check began weeks ago for bombs.

Much attention has been focused on the *pas de deaux* between President Mitterrand and his Prime Minister, Mr Jacques Chirac. This cohabitation between a Socialist president and conservative prime minister has led to a series of carefully choreographed appearances.

Both were invited to the Queen's lunch at Noordeinde Palace, where they were said to have sat beside each other and spoken only between themselves.

West Berlin debates SPD split over defence

BY LESLIE COLITT IN BERLIN

AN OPEN rift within the once dominant West Berlin Social Democrat Party (SPD) has unleashed a fierce debate over the party's ties to the Western alliance.

The opposition SPD, which governed the city until 1981, was split last weekend when a minority of 65 SPD right-wingers stormed out of a party congress.

The walkout was in protest over a resolution by left-wing SPD delegates to approve a "security partnership" with the Warsaw Pact instead of Western military deterrence. Washington was sharply criticised for its "policy of force and superiority."

The US, along with Britain and France, has maintained troops in West Berlin since 1945 to prevent it from falling under Soviet rule.

The parliaments of West Berlin and West Germany yesterday debated the split.

Chancellor Helmut Kohl's Christian Democrats accused the opposition of abandoning its previous common ground with the other parties and of moving "closer to Moscow than to Washington" on key political issues.

Mr Eberhard Diepgen, mayor of West Berlin, has called on Mr Johannes Rau, the SPD's candidate for next year's West German election, to bring the West Berlin SPD "to its senses."

The issue is embarrassing to Mr Rau, who is attempting to dispel the widespread impression in West Germany that the SPD is sliding to the left.

At its peak under former mayor Mr Willy Brandt, the SPD in 1963 polled 62 per cent of the votes in the West Berlin elections. In last year's balloting, however, it plummeted to an all-time low of 32.4 per cent.

Gatt committee gears up for Uruguay talks

By William Dullforce in Geneva

THE PUBLICATION of two rival draft declarations for trade ministers has this week injected a sense of urgency into the committee preparing for new multilateral trade negotiations.

The pace and atmosphere of the committee's work in both informal and formal sessions this week had changed markedly, a spokesman for the General Agreement on Tariffs and Trade (Gatt) said.

Mr Arthur Dunkel, the Gatt secretary-general, announced yesterday that the preparatory committee would go into permanent session from July 8 in an effort to resolve serious differences remaining between the big trading nations and the hard core of developing countries.

The committee has a mid-July deadline for preparing the declaration with which it is hoped trade ministers meeting at Punta del Este, Uruguay, in September can launch the new round of negotiations.

The two draft declarations – one from nine industrialised countries, the other from 10 developing countries – draw the lines.

The three major trading blocs, the US, the European Community and Japan, have this week rallied round the draft declaration produced by nine industrial countries.

The US and the EEC have both emphasised this week that they will not accept any declaration which, like that proposed by the 10 developing countries, omits all references to trade in services, intellectual property rights, direct investment and other "new" Gatt issues as subjects for negotiation.

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Pressure mounts for Shin Bet inquiry

By Andrew Whitley in Tel Aviv

THE EMBATTLED Israeli Government of Mr Shimon Peres yesterday faced mounting pressure for a full inquiry into the "Shin Bet affair" a day after the enforced resignation—and pardon—of Mr Avraham Shalom the internal security chief.

Mr Yitzhak Shamir, the former Likud Prime Minister, currently serving as Foreign Minister, said he had "nothing to fear" from the public investigation of the scandal being demanded by an increasing number of politicians, particularly in the Labour Party.

A potentially serious threat to the Government's hopes of washing its hands of this unsavoury affair—the 1984 murder of two Palestinian bus hijackers and its subsequent cover up—could come from three petitions presented yesterday to the high court by left wing politicians and lawyers. These challenge President Chaim Herzog's right to pardon the Shin Bet officials involved in advance of charges being brought.

Defending the Government's handling of the affair, Mr Peres said yesterday the political establishment had to stand behind those who carried out orders, a reference to the usually shadowy Shin Bet security organisation.

Mr Shamir said that while he understood the concern of jurists over the handling of the affair "they should also understand that sometimes state security must come first."

Australian pay rise awarded

By Emilia Tagaza in Manila

ONLY A fortnight after Mr Bob Hawke, the Australian Prime Minister, announced austerity measures, Australian workers were yesterday awarded a 2.3 per cent wage increase from next month. The decision, announced by the independent Conciliation and Arbitration Commission, followed months of negotiations with trade unions, employers and the Government.

The commission rejected the unions' demand for a compulsory 3 per cent productivity pay rise, while allowing individual unions and employers to conduct productivity negotiations.

South Africa frees some trade union leaders

BY OUR JOHANNESBURG CORRESPONDENT

SEVERAL black trade union leaders, including the general secretary of the Council of South African Trade Unions (Cusa), Mr Piroshaw Camay, were released from detention under emergency laws yesterday while Mr Louis le Grange, the Minister of Law and Order warned that the state of emergency would not be lifted in the near future despite the passage into law of tough new security law amendments.

He told a National Party rally in Nelspruit in the Eastern Transvaal that the Government would not make the mistake again of lifting the emergency too soon and added: "We are determined to apply all aspects of the regulations and are not prepared to negotiate with any hostile forces."

Meanwhile, the Bureau of Information reported yesterday that another landmine exploded under a truck on a gravel road close to the township of Soshanguve, north of Pretoria yesterday morning while another five blacks were killed in separate violent incidents. This brings the official total of "unrest" deaths since the emergency was declared to 87. The black driver of the truck was not hurt.

The police have offered a reward of up to 1,000 Rand (£263) for information leading to the arrest of people allegedly involved in "necklacing" or any form of incitement to violence in the townships. They supplied telephone numbers where calls can be made in confidence.

The bureau, meanwhile, has responded to media requests for more details on unrest incidents and the fuller picture which emerged from yesterday's daily "unrest situation" is of continuing violence, sometimes involving sizeable crowds.

Thus one of the five blacks whose death was recorded in the latest official report was shot during an alleged attack by about 230 blacks on a railway police vehicle in Daveyton, east of Johannesburg.

Mr Denis Healey, the British Labour Party's shadow Foreign Secretary, yesterday toured townships around Durban and after studying photographs and affidavits and talking to township residents, accused members of the Zulu Inkatha movement headed by chief Mangosuthu Buthelezi of what he called "vigilante violence."

Michael Holman adds from London: A group of leading British companies have endorsed a statement calling for "fundamental political change" in South Africa but express opposition "to any measure aimed at damaging or undermining the South African economy.

"Such measures would be counter-productive," says the statement, "and likely to lead to increased polarisation of attitude and the removal of all possibility of peaceful change."

The statement has been circulated by the British Industry Committee on South Africa (BICSA), formed earlier this year, whose chairman is Sir Leslie Smith, a director and former chairman of the BOC Group.

Over 30 companies have backed the statement, including BP, Consolidated Goldfields, Hill Samuel, Mitchell Cotts, Rowntree Mackintosh, Rio Tinto, Shell, Unilever and Reckitt and Colman.

Anthony Robinson reports from Johannesburg on limits to parliament's power

Opposition MPs pierce the stifling silence

ONE OF the first acts of the Bureau for Information, the sole source of official news and comment on "unrest" since the declaration of South Africa's state of emergency two weeks ago, was to warn the media not to use the term "white minority regime" to describe the country's government.

Formally, the Bureau had a point. Since the introduction of the new constitution in September, 1984, South African laws have had to be approved through a complicated legislative process involving not only the House of Assembly with its white parliamentarians but also the coloured House of Representatives and the Indian House of Delegates.

The tri-cameral constitution, which totally excludes blacks who have no parliamentary representation at all also ensures that in the last resort the ruling white Afrikaner National Party has the last word. The vehicle for preserving the essence of Afrikaner parliamentary power is the President's Council, the top level policy advistory body which has a built-in National Party majority.

In case of a deadlock in the standing committees where legislation is thrashed out between members of all three houses, legislation passes to the President's Council for a decision, which is then passed to the State President for his signature.

On Tuesday night this procedure was completed for the first time when President P. W. Botha signed amendments to the Internal Security Act and the Public Safety Act. These empower the Minister of Law and Order to declare any part of the country an unrest area and detain people without trial for 180 days, virtually incommunicado. They also grant the security forces legal indemnity for their actions, provided they are taken "in good faith."


Mrs Helen Suzman (left) was offended by the attack on the role of parliament by Dr Frederick Van Zyl Slabbert

The amendments, which give the Government permanent powers similar to those of a State of Emergency without formally having to declare one, were opposed not only by the coloured and Indian Houses but also by the main white Opposition Party in the House of Assembly, the Progressive Federal Party (PFP).

The amendments have thus become law even though a majority of MPs in all Houses voted against them by 159 votes to 146. The Government was condemned by leaders of the coloured and Indian Houses as well as the PFP for overruling the expressed will of Parliament.

This latest example of the limitations of parliamentary democracy in South Africa comes at the end of a session where the role of parliament has come under scrutiny and criticism as never before.

On the one hand it has seen the passage of some of the most "reformist Bills" ever to be proposed by a Government which for most of its 38 years in power has been dedicated to enforcing apartheid.

Its most important act has been scrapping 34 laws and amendments which formed the basis of influx control and the pass laws. Parliament is to be re-convened for an additional session on August 18 to approve the other reforms proposed by the Government.

On the other hand, parliament's most reformist session has also been characterised by several profound shocks to the whole system of parliamentary government. In the first week of the new session a stunned House of Assembly heard Dr Frederick Van Zyl Slabbert announce his decision to give up the leadership of the PFP and his seat. Parliament, he said, had become "a ritual of irrelevance" engaging itself in "ridiculous political debate while our country is bleeding."

Since then Dr Slabbert has appeared on a platform of one of the main extra-parliamentary opponents of apartheid, the United Democratic Front, aimed at seeking white support for a broad non-racial alliance against apartheid.

His attack deeply offended many of his erstwhile supporters, including Mrs Helen Suzman, who for years battled on as the lone opposition voice in parliament. Her unremitting criticism of Government actions and formal questions in parliament have not only kept the Government on its toes but also provided an invaluable source of information.

She sought in vain this week to force Mr Louis Le Grange, the Minister of Law and Order, to reveal the numbers, names and ages of those detained. But by reading out several names of suspected detainees in parliament, she nevertheless was able to use the protection of parliamentary privilege to help reveal the wholesale nature of the detentions of community leaders, from churchmen to trade unionists.

In her condemnation of the Government's refusal to answer questions even in parliament, Mrs Suzman complained that "South Africa had become like El Salvador and Argentina, where people went missing and their governments refused to say whether those concerned were dead or not."

It is this kind of comparison which can still be made in parliament—but no longer outside its walls where such a statement would almost certainly come under the blanket definition of "subversive."

The Government has refused to accept the PFP's demand that parliament should not go into recess while the state of emergency continues, just as it refused last July to reconvene parliament when it announced the first state of emergency.

After the latest warning to the domestic and foreign media to toe the line on the emergency regulations or else, the silence hanging over South Africa will become more stifling than ever.

Aquino names team to negotiate with rebels

By Chris Sherwell in Manila

PRESIDENT Corazon Aquino of the Philippines yesterday named a two-man government team to seek a ceasefire in the country's communist - led insurgency.

The emissaries—Mr Ramon Mitra, the Agriculture Minister and Mr Jose Diokno, head of the Presidential Commission on Human Rights—will hold negotiations with Mr Satur Ocampo, the man already nominated to represent the Communist Party and its military wing — the New People's Army.

Mr Diokno, a former senator, is known for his strong nationalist sentiments and left-leaning opinions. Mr Mitra, seen by some as a rising star in the Aquino administration, is more conservative.

Mrs Aquino's announcement came at a press conference at which she also revealed she had received $15m in immediate economic assistance from the European Economic Community.

The sum, given by Mr Claude Cheysson, visiting Commissioner for North-South Relations, is part of a $40m package from the European Commission's budget.

Although substantial, the commitment is small by comparison with assistance on offer from the US and Japan. Of the EEC member states, only West Germany has a significant aid programme to the Philippines.

In a stream of meetings yesterday, Mrs Aquino also met Mr Timothy Renton, Minister of State at the UK Foreign Office. He is one of many foreign ministers in Manila for talks between the six-nation Association of South-east Asian Nations and its leading trading partners.

Mrs Aquino refused to say when the ceasefire talks with the communist insurgents would begin. On the chances of its success, she acknowledged that some people would never co-operate with her Government, but said it was important to have "a meaningful dialogue if only to prevent loss of life."

The insurgency has claimed hundreds of lives since Mrs Aquino was installed in power in February.

Two Britons held for jet theft freed in Nigeria

Nigeria has freed two British engineers jailed since 1984 after they won appeals against conviction for the theft of an aircraft. **Michael Holman reports.** Britain yesterday welcomed the release of Mr Kenneth Clark and Mr Angus Patterson, who were facing a 14-year jail term for allegedly assisting in the illegal departure of a jet from Lagos in May, 1984, about two months before an abortive kidnapping in London of a former Nigerian minister sought by Lagos on corruption charges. The court decision ends an affair which added severe strains to Anglo-Nigerian relations.

Execution stayed

Malaysia's Penang State Legal Department has said it would withhold a draft death warrant for Australian drugs trafficker Mr Brian Chambers until a plea for a stay of execution was heard next month. **Reuter reports from Penang.** After a hearing yesterday, the state's legal adviser, Mr Shaari Yussof, said he would also withhold a warrant for Mr Kevin Barlow until appeals are heard. Both men have been condemned to hang for trafficking heroin.

Hostage release hint

The Tehran Times yesterday quoted a senior Iranian official as saying Iran could help free British hostages in Lebanon in the same way Tehran's "ideological links" helped free two Frenchmen in Beirut. **Reuter writes from Tehran.** Meanwhile, Iran released Mr Jean-Yves Albertini, an Air France station manager in Iran, after a one year sentence for giving parties considered corrupt in the Islamic Republic, diplomatic officials said.

Sudan debt at $20bn

Sudan's total foreign debt stands at more than $20bn, rather than the $9bn the Government previously announced, Dr Mohammad Abu Hureira, Commerce Minister, revealed yesterday. **Rami Khouri reports from Amman.** The Minister told a news conference that Sudan's exports could only cover about 30 per cent of its total financial needs and that expatriate remittances had dropped recently to half their former level.

AMERICAN NEWS

House approves Reagan aid plan for Contras

BY REGINALD DALE, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday was basking in one of his biggest congressional foreign policy victories after the Democrat-controlled House of Representatives finally approved his $100m aid plan, including military assistance, for Nicaragua's Contra rebels.

The President, relaxing at his California ranch after a strenuous lobbying campaign, said that the vote "represents a step forward in bipartisan consensus in American foreign policy."

Of the Contras, he said: "Their cause is our cause. . . The cause is freedom; the cause is just, the cause will triumph."

Largely as a result of Mr Reagan's efforts, the House on Wednesday night reversed an earlier 222 to 210 vote against a similar aid plan in March, and accepted the latest Administration proposal by 221 to 209, a wider margin than expected.

Six Democrats, mainly from Southern states, switched sides, as did four Republicans. A fifth Republican who rallied to Mr Reagan had not voted in March.

The House defeated various Democratic amendments that would have delayed military aid or confined the plan to humanitarian assistance. One defeated Democrat said that House members were apparently now "tired" of the prolonged debate on the issue. The Contras first became a major issue in Washington in 1984, when Congress cut off military aid to the rebels in the wake of disclosures of Central Intelligence Agency involvement in the mining of Nicaraguan harbours.

The plan finally adopted now goes back to the Republican-led Senate, which has already adopted a similar proposal. But further Senate action, and subsequent negotiations between the two chambers, is complicated by the fact that the aid is attached as an amendment to a $8.1bn spending bill for military construction.

The plan would provide $40m in aid to the Contras, including military funds that would be available from September 1. A further $20m would be provided on October 15, and a final instalment of $40m on February 15 next year.

The three payments would add up to the $70m in military aid and $30m in humanitarian assistance that Mr Reagan had originally requested. No heavy weapons could be supplied to the Contras until the final instalment in February, but restrictions on covert action by US intelligence agencies against Nicaragua would be lifted.

The plan also provides for $300m in additional economic aid to four Central American democracies, El Salvador, Costa Rica, Guatemala and Honduras. The presentation of the Contra aid as part of an overall development package for the region was one factor that allowed some members to change their votes with a reasonably clear conscience.

Reginald Dale visits northern Arizona to report on a century-old dispute on an Indian reservation

Navajos muster for a last stand on land

ON THE parched uplands of north-eastern Arizona, one of the remotest corners of the US, small bands of Navajo Indians are gathering for a last stand against the federal Government.

Ten days from now, when most of the rest of the country will be celebrating the 100th anniversary of the Statute of Liberty, time will officially run out for the Navajo "resisters," who are fighting to keep their homes and their traditional way of life. They are up against what has been described as the biggest forced resettlement of any racial group in the US since the internment of 120,000 Japanese Americans during the Second World War.

The July 6 deadline for the programme's completion was originally meant to mark the end of a century-old land dispute exacerbated by years of legal wrangling in the courts and political dithering and ineptitude in Washington. But the latest attempt to impose a final solution, by uprooting 12,000 to 15,000 traditional Indians from their homes, has now caused a growing national and international outcry.

Opponents of the programme have gone so far as to compare it to the racist policies of the South African Government, or even Nazi Germany. At the very least, it has raised major questions over the federal Government's understanding of Indian problems, and over whether or not it believes that, as "trustee" of the Indians territories, it can impose policies that it would never inflict on whites.

The origin of the dispute, which many Indians say was created more by Washington than by themselves, goes back to well before 1882, the year in which President Chester Arthur sowed the seeds of today's confusion. He established a reservation for the Hopi tribe "and such other Indians as the Secretary of the Interior may see fit to settle thereon" in the rectangular area shown on the map.

Over the years, the Navajo Indians, much more numerous than the Hopis, were driven westwards, largely by white migration and Government meddling with their own reservation's eastern boundaries. The nomadic Navajos increasingly surrounded the village-dwelling Hopis, occupying most of the 1882 reservation outside the central Hopi area.

To cut a very long story short, Washington concluded in 1974 that competing claims by the two tribes made it impossible for them to share use of the land. In a judgment of Solomon, Congress decided to cut the disputed land in half, giving each tribe 900,000 acres. July 6 1986 was the deadline for "relocation."

Since then, the Navajos living on land assigned to the Hopis have found themselves quite literally "on the wrong side of the fence." A barbed-wire barrier, marked by frequently stolen yellow signs saying "Property of the Federal Government," has been erected almost all the way along the dividing line.

It is still not complete because in the areas of strongest resistance the Navajos come out by night to uproot the green metal fence poles, particularly when they are implanted on land of religious or ancestral significance.

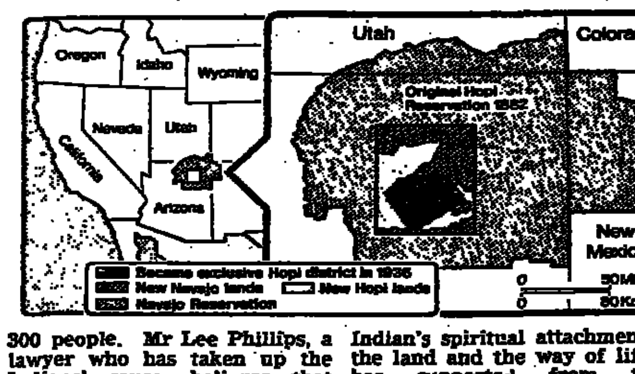
One such incident last week led to a scuffle in which a group of Navajos relieved two policemen of their guns. The weapons were subsequently returned, but the episode raised fears of violence as the deadline approaches. With the desolate, waterless plateau sweltering in the hottest weather of the year, tension is high.

The Federal Relocation Commission in Flagstaff, the region's largest town, says that Navajos have flocked to its doors for resettlement incentives and that the "resisters" number only about 70 families, or perhaps 300 people. Mr Lee Phillips, a lawyer who has taken up the Indians' cause, believes that this is on the low side, because many people who originally applied for relocation did not understand what it meant. (The Government offers a new house, worth $55,000 to $66,000, and, to earlier applicants, a cash bonus.)

According to the Commission, 4,100 families applied for benefits, of which 2,600 were found eligible. Of these, 1,000 families have been relocated, and 1,300 are no longer living on the Hopi side of the fence—many of them "in limbo" in conditions of great hardship. Some 300 Navajo families are still on land that is about to come under Hopi jurisdiction.

The hard core of resisters say that nothing will induce them to leave, short of being dragged out by federal marshals. Mrs Mae Tso, a 48-year-old mother of eight who has already been arrested for allegedly assaulting a detachment of police, says that, if Indians like her are severed from their land, they "will die mentally and physically."

It is a universal theme of the resisters that the white man simply does not understand the Indian's spiritual attachment to the land and the way of life it has supported from time immemorial. Indeed, Mr Phillips is about to file a First Amendment lawsuit claiming that relocation is an unconstitutional interference with the Navajos' religious freedom.



The Government, however, is making the plight of the remaining Navajos even more desperate by impounding up to 90 per cent of the livestock on which they depend for a living, in the name of range conservation, and imposing an effective freeze on any kind of construction in the disputed area—whether it be road repairs, the building of a hut or the replacement of a broken window.

New lands have been made available for the "relocatees" on the edge of the Navajo reservation, which the Government says are in fact more desirable. But the resisters say they are no substitute for the ancestral sites. More than half those who have so far been relocated have exercised their right to move off the reservation into urban areas, where many have fallen victim to loan sharks, alcoholism, family break-ups, and destitution—common phenomena when Indians try to adapt to the white man's world.

As so often in the American West, land claims and mining rights are inextricably intertwined in the Hopi-Navajo area, which sits on an estimated 19bn tonnes of coal, plus lesser quantities of uranium, natural gas, and oil. It already contains the world's largest strip mine, run by the Peabody Coal Company.

Critics contend that one aim behind partition and relocation, which is enthusiastically supported by the state's veteran Republican senator, Mr Barry Goldwater, is to provide the mining companies with single authorities on either side of the fence with whom to negotiate advantageous new mining contracts.

Precisely how Indian nations reach such decisions is another major issue raised by the relocation programme. Many Navajos and Hopis reject the authority of their official Tribal Councils, set up at Washington's instigation in the 1920s and 1930s, as federal puppets unduly influenced by unscrupulous white lawyers serving the mining companies' interests.

Relocation proponents, on the other hand, say that it is high time that the Indians moved into today's world and that the romantic concept of the noble savage is nonsense. The idea that the Indians are enjoying "a cute little way of life, communing with nature, is absurd," says Mr David Shaw-Serdar of the Relocation Commission. "What are those pick-up trucks doing out there?" he asks.

Mr Shaw-Serdar insists that the programme will work its way through successfully in the end, even if the July deadline will not be met. It should cost a total of $230m by the end of September 1988, he says. Opponents say that the expense to the taxpayer, if indirect costs are taken into account, could be more than $1bn for an operation that will never work.

With last-minute moves underway in Congress to postpone the deadline and rethink the whole operation, the Reagan Administration is working hard to allay anxieties. On a lightning visit to Flagstaff this week, Mr Ross Swimmer, the head of the Bureau of Indian Affairs, dismissed the deadline as unimportant, and suggested that there could be some kind of extension for the most determined resisters.

Neither side wants to see an outbreak of violence. But the resisters say that they will have to be starved out or dragged from the land. However it ends, the critics believe that the dispute should now spur a comprehensive review of Indian law and Government policies.

The Indians' supporters tell a parable to illustrate their view of Washington's attitude over the years: A certain rich man was enjoying a banquet, it says. As he sat at the groaning table, he could see an old woman, half-starved and weeping. His heart was touched with pity. He called a servant to him and said: "That old woman out there is breaking my heart. Go out and chase her away."

Ortega warns of invasion

BY PETER FORD IN MANAGUA

MR DANIEL ORTEGA, Nicaragua's President, warned on Wednesday that the new military aid for the Contra rebels marks another step towards a US invasion and told his countrymen to "improve their battle readiness."

The Sandinista leader also predicted that the US House of Representatives vote would mean "more difficulties on the economic level, more shortages, more sacrifices" for Nicaraguans already hard pressed by severe economic crisis.

Likening President Ronald Reagan to "a new Hitler," Mr Ortega ran through a familiar litany of complaints against Washington. The vote confirmed the United States' "terrorist policy" towards Managua, he said, and showed "cynical" disregard for central American peace negotiations sponsored by the Contadora Group.

Congress's action, Ortega predicted, "could translate in time into a new military escalation . . . leading to the intervention of US troops themselves in our country."

The Contra rebels alone, he insisted, were "never going to provoke the downfall of the revolution," and their failure could prompt direct US action.

Mr Ortega also has harsh words for the congressional bill offer of $300m in economic aid for Nicaragua's Central American neighbours. This move, he alleged, was designed to "buy those governments so as to involve them in (Washington's) terrorist policy of aggression against Nicaragua."

Washington's pressure on its Central American allies and its choice of military solutions, represented "a very serious blow" to the Contadora Group's efforts to reach a negotiated settlement of the region's turmoil, Mr Ortega argued.

The Nicaraguan leader also reiterated his government's refusal to negotiate with Contra leaders, while saying he was still ready to talk directly with the US. He looked to Friday's World Court ruling on Nicaragua's complaints against "US aggression" for proof of international rejection of Washington's Nicaraguan policy.

World Court to rule today on Nicaragua case

THE World Court today may declare President Ronald Reagan's support for Nicaraguan Contra rebels illegal, just after his victory in securing congressional approval for more military aid, Reuter reports from The Hague.

The verdict will end a two-year case brought by Nicaragua claiming the US broke international law by using a rebel army in an effort to topple the left-wing Sandinista government.

The Reagan Administration withdrew from the case and renounced the court's jurisdiction last year, charging Nicaragua with using it as a propaganda stage. The US has said it will ignore any ruling against it.

Diplomats said a judgment critical of the US, which is expected both in Nicaragua and Washington, could be an embarrassment to the President and would certainly be greeted as a triumph by Managua.

Mexicans to meet IMF

BY STEWART FLEMING IN WASHINGTON

A DELEGATION of top Mexican officials headed by the recently-appointed Finance Minister, Mr Gustavo Petricioli, is due to hold meetings in Washington today with senior US and International Monetary Fund officials in the continuing search for solutions to the Mexican debt crisis.

Mr Petricioli is scheduled to meet Mr Paul Volcker, the Federal Reserve Board chairman, and US Treasury Secretary, Mr James Baker, as well as Mr Jacques de Larosiere, managing director of the IMF.

The meetings take place against a background of mounting unease in the United States about relations with its southern neighbour. The New York Times reported yesterday from California, where President Reagan is on a short holiday, that the President was considering inviting Mr De La Madrid, the Mexican President, to California in August for talks.

A White House official is said to have described the New York Times story as inaccurate, although some officials in Washington felt that it was certainly plausible. US-Mexican relations are clouded not only by Mexico's debt problems but also by attacks in Congress, led by Senator Jesse Helms, on the Mexican political system and its toleration of corruption and drug trafficking.

● The House of Representatives' Subcommittee on Asian Affairs yesterday approved an extra $250m in aid for the Philippines, despite concerns that it would exceed budget constraints.

The authorisation bill was approved by seven to three. An urgent supplemental appropriation bill was pending final approval in the Senate before being sent to President Ronald Reagan.

The Senate bill already includes $150m in extra aid for the Philippines proposed earlier this year by the Reagan Administration to add to $241m already approved for the country.

World Bank $500m loan for Brazil

By Our Washington Staff

THE World Bank yesterday approved a $500m (£329.5m) economic adjustment loan to Brazil after the US had dropped its earlier opposition to the deal. The loan is to support agricultural reforms and finance imports of food and fertilisers.

In the face of opposition from farm interests on Capitol Hill, the Reagan Administration seemed likely earlier this week to oppose the deal as it had earlier this month when the World Bank voted to oppose a $500m loan for Brazil's electrical power sector.

The US position found little backing in the World Bank's boardroom, however. Some officials argued that it was partly the Administration's failure to communicate the details of the loan to Congress which helped stir up opposition on Capitol Hill.

Move to curb credit boom

BY IVO DAWNAY IN RIO DE JANEIRO

THE Brazilian Government was yesterday preparing new measures to restrict the boom in consumer spending by reining in consumer credit.

The move, principally aimed at sectors such as cars and white goods where supplies are short, comes as part of Brazil's longer term objective of reviving the savings industry.

Mr Dilson Funaro, the Finance Minister, is also expected to create a new national savings account, offering interest of 10 per cent a year—substantially higher than those currently available.

The Brazilian consumer spending boom stems directly from the Crusado Plan, the radical anti-inflationary measures taken in February, which de-indexed the economy, froze prices and created a new currency, the crusado, with a fixed dollar exchange rate.

The stabilisation programme triggered a dramatic escalation in spending as consumers withdrew deposits from short-term savings accounts. Demand for credit from shops and credit card agencies, increased by 80 per cent in April, even before bank loans are taken into account. Funds held in savings accounts are estimated to have fallen by 15 per cent since the de-indexation plan was introduced, though the Government now claims that these are recovering.

Mr Funaro intends to try to stem the flow of credit by 30-40 per cent over the next three months. Measures expected include a ban on the use of credit cards for the purchase of petrol or alcohol, widely used in Brazil as car fuel.

The increase in consumption has led to serious shortages and waiting lists for some goods, mainly durables and clothes. This has fuelled fears that the economy is storing up insupportable inflationary pressures.

● Brazil and Cuba are to resume diplomatic relations after a break of 22 years. The accord was signed in Paris last week but only publicly announced yesterday.

WORLD TRADE NEWS

Gloom grows among Japan's chip makers over row with US

BY CARLA RAPOPORT IN TOKYO

JAPANESE semiconductor makers and purchasers are increasingly gloomy about the prospects of a constructive end to the long-running US-Japan semiconductor talks.

US and Japanese negotiators are hoping for a settlement of the issue to be reached either today or Monday—a suspension of the US anti-dumping case on 256K D-rams must be initialled by then to be effective.

Japanese companies, however, fear the agreement will be at best another "agreement to agree," like the one between Dr Clayton Yeutter, US Trade Representative, and Mr Michio Watanabe, Minister of International Trade and Industry (Miti) earlier this month. At worst, they fear their negotiators will accept a "humiliating defeat" for Japanese companies.

The two sides have been debating the issue of market access by the US chip-makers in Japan and alleged dumping of Japanese chips in the US.

Currently, it appears that the Americans will be willing to drop their anti-dumping suits against the Japanese on two kinds of chips in return for a chip price monitoring system and commitment to boost US chip makers' share of the Japanese market.

But some Japanese chip makers are now saying they would rather have the dumping suits than the agreement which their negotiators appear set to accept.

"This price monitoring system is proposed for 28 items, and is supposed to last for five years. I think we would be prepared to suffer the anti-dumping suits," said one leading electronics executive. The proposed US anti-dumping suits are for 256K d-rams and eprom chips.

If the dispute is not settled, however, the Japanese fear that the anti-dumping duties may be punitively high. "We feel this negotiation is humiliating us," said another executive.

An official with Miti said yesterday: "We hope to get a framework settled by the end of this week.

"However, a major issue of debate remains that the US wants a guarantee of increased market access. We are in no position to guarantee a share in a free economy. We are not a centrally-planned Communist country.

"But the US feels that if it suspends the anti-dumping suits, it should get some kind of guarantee from Japan on market access and pricing."

Thais call new bus bids

THE BANGKOK Mass Transit Authority (BMTA) has invited new bids on a contract to lease 1,200 buses, Reuter reports.

The state enterprise decided last Friday to reverse its award of the seven-year contract to Motor & Leasing Company of Singapore after the Thai Cabinet expressed reservations about the lack of public bidding.

Motor & Leasing offered to lease 1,000 buses to BMTA for $13.8m (£9.2m) a year.

The company was chosen because it presented the second most attractive tender last year for a fleet of 4,000 buses. Britain's Leyland Vehicles won the contract but the government later rejected its bid as too expensive.

Israelis search for partner to share Lavi aircraft costs

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL is urgently seeking a co-production agreement with a major US aerospace manufacturer to build the Lavi, an advanced, multi-role aircraft. Sharing the $2.2bn development and pre-production costs is regarded as the best hope of saving the threatened project.

The search for an American partner who would build the Lavi in the US for export to third countries has taken on an increasingly desperate note in recent months, as pressure has mounted from the Pentagon for the cancellation of the aircraft.

Discussions with US companies have already taken Israel Aircraft Industries, the main contractor, to Northrop and McDonnell Douglas, with no avail. Efforts are now believed to be concentrated on Grumman, makers of the Lavi's composite-material wings and tail sections.

Mr Zvi Tropp, economic adviser to Israel's Ministry of Defence, said in an interview that the US partner would be made responsible for all Lavi-related work in the US. Apart from built-up aircraft turned out on a parallel assembly line in the US, it could also handle the manufacture of major sub-assemblies for the Israeli productions line.

US defence companies have been awarded about a third of the development work on the Lavi, by value, and expect to see this share rise to half during the production phase, due to commence in 1987. Martin-Baker of the UK is to provide the aircraft's ejector seats.

The first prototype for the Lavi is due to fly this September, in time to allow the aircraft to come into service with the Israeli Air Force in 1990, as planned.

Alsthom subsidiary wins US cruise ships order

BY PAUL BETTS IN PARIS

THE SHIPBUILDING subsidiary of the French Alsthom engineering group, Chantiers de l'Atlantique, has won a $300m order for the construction of two passenger cruise ships from the Los Angeles-based Sitmar Cruises company.

The deal, after long negotiations, is crucial for the Alsthom subsidiary, itself controlled by the nationalised CGE group, at a time of dire difficulties in the French shipbuilding sector.

The French Normed shipbuilding group, the other large shipbuilding concern with Alsthom's subsidiary, has just filed for bankruptcy after the new government decided to halt subsidies.

The contract with Sitmar involves the delivery of two passenger cruise ships with a capacity for 1,400 passengers each by the end of 1988 and the end of 1989. However under the terms of the deal, Sitmar has the possibility during the next six months of cancelling the order for the second ship without having to pay compensation.

The new orders follow another major cruise ship order won by the French yard last year for the construction of the world's largest cruise ship Sovereign of the Seas for the Norwegian Royal Caribbean Cruise-Line group.

Alsthom also announced yesterday that it had signed an agreement with the Turkish energy authorities

UK NEWS

Oil price inflicts toll on trade performance

BY WALTER ELLIS

THE CONTINUED stagnation in oil prices exacted a heavy toll on Britain's visible trade balance in May. Figures released yesterday by the Department of Trade and Industry show a provisional deficit of £666m *for the month after a revised deficit* of £285m in April.

Overall, the current account of the balance of payments for May recorded a surplus of just £34m, reflecting a contribution on invisibles totalling £700m.

Exports of manufactured goods – regarded as the key indicator of trading performance – reached a value of £5.29bn last month. Imports, meanwhile, came to £6.17bn, giving a deficit of £878m against April's deficit of £530m.

For the first five months of the year, there has been a current account surplus of £1bn, helped by a massive £1.1bn margin in January. The Treasury has forecast a surplus of £3.5bn for the year as a whole, and if the target is to be met, returns for the remaining seven months will have to improve sharply.

"We see no reason at the moment to change our forecast," one Treasury official said yesterday. In the three months to the end of May, the current account showed a deficit of £200m, compared with a surplus with a surplus of £1.7bn in the previous three months. March was a particularly bad month, showing a shortfall of £714m.

There was a deficit on visible trade in the three months to May of £2.1bn against a £200m deficit for the three months to February. The surplus on invisible trade for the March-May period is projected at £1.9bn – unchanged from the previous three months.

The May surplus on invisibles of £700m – the same as for April – is made up of a larger surplus on the transactions of the private sector and a smaller deficit on government business.

Visible exports, including oil, fell in May to £5.87bn from £6.04bn in April, while imports dropped from £6.54bn to £6.3bn. Trade in oil fell in volume terms fell somewhat in May, but the decline in price was the main reason for the surplus of just £212m – far the lowest this *year. The average value per tonne* of UK oil from the North Sea was just £62.60, compared with £138.60 in January

Spending power rises 1.2% in first quarter

BY GEORGE GRAHAM

BRITISH consumers' spending power rose by 1.2 per cent in the first quarter to stand 3½ per cent higher than a year earlier, the Central Statistical Office (CSO) said yesterday.

Wages and salaries rose by 8½ per cent from the previous year, or 8 per cent if allowance is made for the effect of the coal strike, while UK income taxes stood 11½ per cent higher than a year earlier.

Total personal incomes amounted to £79.6bn in the first quarter, with 56 per cent of this accounted for by wages and salaries. Other personal income, including profits and dividends, stood at £16bn in the first quarter, a rise of 8.8 per cent from the same period a year earlier. The rise in self-employment is believed to have contributed to this growth.

People saved an average of 11.7 per cent of their disposable incomes in the first quarter, the CSO said, much the same savings ratio as in the three previous quarters but 3 per cent lower than in the first quarter of 1985.

Consumers continued to expand their borrowing. New figures from the Finance Houses Association show that new consumer lending in the first quarter was 19 per cent higher than in the same period of 1985.

Retail credit was 22 per cent higher in the quarter than a year earlier, while new car finance rose by 24 per cent. Personal loans maintained a steady growth rate of 14 per cent over the year.

● The CSO said that company profits fell in the first quarter of 1986 as tumbling oil prices took their toll on *companies in the North Sea sector.*

BANK OF ENGLAND GIVES WARNING ON INTEREST RATES

Employers criticised for high pay deals

BY GEORGE GRAHAM

UK INTEREST rates may have to be kept high to keep up the pressure for smaller wage settlements in response to lower inflation, the Bank of England said yesterday.

The Bank repeated its warning that Britain's unit labour costs were rising faster than those of its competitors, even the more inflation-prone such as Italy. It criticised employers for not resisting claims for higher wage settlements.

"When manufacturers' input prices and interest rates have been falling, and the exchange rate has been relatively stable, the UK's poor relative performance on unit labour costs poses the most important threat to further progress in improving competitiveness," the Bank said.

Many industrialists saw their own wage settlements as satisfactory, because with materials' costs failing and domestic competitors' wages also rising, they had been able to pay the higher rates while still widening their margins, the Bank said in its latest quarterly bulletin, published yesterday.

"They see little prospect of increased sales if they alone resist pressure for higher wages," it said.

If employers failed to respond quickly enough to lower inflation, lower taxes, rising unemployment and pay developments abroad, the Bank said, then pressure would have to be put on them, which involved keeping sterling strong by maintaining interest rates high in relation to other countries.

With the short-term prospects for inflation good, but output growth appearing to have hesitated and unemployment on the rise, policymakers were faced with some awkward choices, the Bank said.

Many of the economic indicators which the Bank monitors are pointing in different directions. The rapid growth of the "broad" money supply and accelerating house prices and unit labour costs give cause for concern, the "narrow" money supply, which is growing much more slowly than its broader cousin, and the resilience of the exchange rate are more reassuring.

The Bank concludes that, on balance, monetary conditions are not too loose. At current real interest rates, it believes, the liquidity that has been built up will continue to be held. It gives a warning, however, that the build-up of liquidity could be reversed and dissipated into potentially inflationary channels.

Liffe plans big rise in trading capacity

BY BARRY RILEY, FINANCIAL EDITOR

THE BOOMING London International Financial Futures Exchange (Liffe) is to spend £1.2m on a substantial increase in its trading capacity. It has also promised members a cut in transaction fees.

New software and facilities are intended to give Liffe the capacity to handle theoretically 10 times its current volume, which averaged *28,500 lots a day in the five months* from January to May 1986. At present, capacity is only about twice this and it can be tested on peak days. The record trading volume of 48,113 contracts was achieved on May 13.

Liffe is aiming to have the new capacity in place within three months, in time to cope with a hoped-for surge in business after the Big Bang changes in the securities market on October 27.

Mr Brian Williamson, chairman of Liffe, said yesterday that trading in the long-gilt contract was already *growing fast*. He expected a dramatic improvement in the short-gilt contract when new Bank of England regulations were applied to trading by the 28 authorised gilt-edged market makers after the Big Bang.

He suggested that the "Footsie" equity contract based on the FT-SE 100 Index would be more actively traded in the new conditions, with big changes also taking place in the equity market-making system. So far, the *Footsie* contract has been disappointing.

Liffe is planning to introduce a *yen bond futures contract before* the end of the year, making the exchange the first in the world to trade simultaneously futures contracts on the three main government bond markets in the US, the UK and Japan.

Mr Williamson said that costs of Liffe members would be sharply cut by new terms negotiated for communications and other equipment used on the trading floor. The terms would allow a 50 per cent cut in the cost of running a booth from July 1.

The prospect of a trading surplus and of further growth in transaction volumes allowed the exchange to consider a reduction in transaction charges, he said. One possibility was a "free" month, equivalent to a cut of a 12th in charges. There would be an announcement at the beginning of the fourth quarter.

Another important development at Liffe *will be the formulation of* requirements for a new clearing system. The exchange is considering the possibility of putting the clearing contract out to tender.

Part of the clearing arrangements are handled at present by ICCH under an agreement which expires in September 1987. "We are not interested in doing all our own clearing," said Mr Williamson. "We want outside expertise, including international experience."

He said that Liffe might consider calling in American clearing houses, but ICCH would be invited to tender. The guarantee provided by ICCH's clearing bank shareholders was "a substantial asset" for Liffe.

Free trade in food target 'may be missed'

By Christopher Parkes

THE EUROPEAN Commission may not meet its 1992 target date for removing all obstacles to trade in foodstuffs and creating a true common market, a House of *Lords select committee says in a* report published today.

The report concludes that, given the Community's record of sluggish decision-making, the sensitivity of the issues and the reluctance of some member states to change their food standards, "the Commission may be over-optimistic in its timetable."

The committee welcomes the plan for free trade in food in that it will improve manufacturers' export openings and provide greater choice and more competitive prices for the public. However, it dwells on some of the possible obstacles which may stall progress:

● Problems could arise if Britain presses ahead and introduces national legislation allowing food to be preserved by irradiation. In view of the "highly emotive" nature of the subject, the report suggests the UK should wait until the Community adopts a common policy.

● Plans for stricter food labelling codes on a Community basis are vital, the committee says. But it is worried that the wording of the proposal "could allow for major derogations by individual member states, which would be contrary to the main objective of harmonisation."

● It also suggests that the UK Government's recent initiative on mandatory labels showing the fat content of foods might be challenged as a barrier to trade. To head off any trouble, the committee suggests the Government should discuss the possibility of a Community-wide nutritional labelling scheme with the Commission.

● A common approach on the use of additives is necessary, the report suggests. "It seems doubtful whether the Community will be able to agree on a framework directive within the proposed timescale and secondary legislation in the form of permitted lists... will take additional time," it says.

"It seems likely that barriers to trade arising out of national rules on additives will continue to exist for the foreseeable future."

The report also raises the issue of the UK's failure to complete its metrication programme for foodstuffs. Calling for an immediate government review, it says the incomplete harmonisation of weights and measures could well develop into an obstacle.

"The present situation must add complications," it claims. "In particular, it could increase costs for UK manufacturers if they have to produce packs of different sizes for different member states."

Internal Market for Foodstuffs, 13th report of the House of Lords select committee, HL 166, HMSO, £9.10.

Walker urges support for nuclear energy

BY MAX WILKINSON, RESOURCES EDITOR

MR PETER WALKER, Britain's Energy Secretary, yesterday mounted a major defence of nuclear power, in terms far stronger than any used by a Western government since the disaster at Chernobyl two months ago.

He committed the British Government to press forward with the development of nuclear power on a substantial scale and he urged other European nations to do the same.

His speech suggested that Conservative ministers have all but decided to authorise the building of a new pressurised water reactor (PWR) at Sizewell in eastern England. A final decision will depend, however, on the details of a long-awaited report on a three-year public enquiry into the project.

In his speech to the Engineering Employers' Federation, Mr Walker offered an apocalyptic vision of a world without nuclear power. This was the first century in the history of mankind, he said when "a world crippled by a shortage of energy has become a possibility."

He warned that the abandonment of nuclear power would have a particularly serious impact on Third World countries, which would be forced to import high-priced fossil fuels to sustain economic growth.

He rejected the idea that renewable energy sources from the sun, wind, waves and the earth's hot core could supply the world's needs as oil gas and coal reserves start to run down. These sources – and conservation measures – all had a part to play, but nuclear power would still be needed to ensure the future prosperity of the world.

With a large proportion of the world's oil and gas reserves concentrated in the Middle East and the Soviet Union, he said that any major switch from nuclear to fossil fuels would result in a rapid increase in prices and perhaps interruptions of supply.

If nuclear power were banned in Europe, as some have urged, consumption of alternative fuels would have to be increased by the equivalent of about 3m barrels per day of oil, more than the whole of the UK's oil production.

Editorial comment, Page 14

Industry set to move in reverse, report says

BY MAURICE SAMUELSON

EUROPE'S NUCLEAR industry seems set to "go into reverse" even if public anxiety over the Chernobyl disaster subsides, according to a survey of the continent's electricity sector by Mr Andrew Holmes, a former information official at the Department of Energy who now edits the FT European Energy Report.

Noting that even before Chernobyl, the nuclear *industry other than* in France was not buoyant, Mr Holmes claims that the industry worldwide will now enter a "period of introspection," such as that which followed the Three Mile Island accident in 1979.

New safety requirements would be introduced further driving up the nuclear costs, threatening to make it economically unattractive "even if public anxiety over nuclear accidents dies down."

Some countries "not entirely hooked on nuclear," such as the Netherlands and Italy, might phase out nuclear altogether. Elsewhere, notably the UK, a halt to ordering would mean that nuclear generation would start *declining in the* 1990s as older stations reached the end of their useful lives.

This process would be hastened if additional safety systems were called for. Chernobyl would also hasten the decommissioning of older stations, notably the gas-cooled, graphite-moderated Magnox reactors in the UK.

The exception was France, which on present trends would account for about half the installed nuclear capacity in Europe by 2000

France's growing surplus of nuclear electricity was also a major factor in the rapid growth in the amount of electricity being traded between European countries.

The French Government was aggressively seeking new export customers, aiming to double net foreign sales by 1990.

Electricity in Europe, Present Status and Prospects for the 1990s, by Andrew Holmes; FTBI, 102–108 Clerkenwell Road London, EC1M 5SA, £140.

Votes for UK residents abroad

BY PETER RIDDELL, POLITICAL EDITOR

HOLIDAY MAKERS and certain British citizens resident abroad will have the right to vote in parliamentary elections held after the new electoral register comes into force next February 16.

Regulations have now been approved by parliament implementing the provisions of last year's Representation of the People Act which extended the franchise.

British citizens who have been resident in the UK and registered *as electors within the previous five* years will have to make an annual declaration which will allow their names to be included on the electoral register in the constituency where they were registered before going abroad.

Declaration forms will be available until July 11 and must be made before October 10. The first time a declaration is made it will have to be attested by a consular official.

An absent vote will also be given to holidaymakers at a particular election if the registration officer is satisfied that the applicant's circumstances on the date of the poll will be or are likely to be such that he cannot reasonably be expected to vote in person.

Dealings in Westland prompt SE off-market ruling

THE STOCK exchange last night announced new guidelines on open market purchases of shares. The changes follow criticism earlier this year of share-dealing in Westland, the British helicopter manufacturer, Lionel Barber writes.

Westland was besieged by rival rescue plans put forward by a European aerospace *consortium and* Sikorsky, the US helicopter maker, and its partner Fiat of Italy. Both the Europeans and Sikorsky/Fiat offered premium prices for Westland shares, some of which were not available to small shareholders but only to large institutional holders.

The stock exchange wants to avoid the sort of "off-market" scramble for shares and ensure that brokers acting for a buyer *declares "the world at large" what* price he is prepared to pay and how many shares he is seeking.

In addition, the exchange wants to ensure that trading in shares is counducted within the market. In future, the minimum period during which an offer must stand will be reduced from one day to one hour.

In the battle for Westland shares, several brokers complained that the exchange's rules on open market purchases were too restrictive. *They said that* if they bought shares in the open market and a rival higher offer materialised, then they could not respond until the next day.

□ AMERADA HESS, the US oil company, has been granted a year's delay in starting a £375m North Sea development largely because of the collapse in the price of oil.

The project is the Ivanhoe Rob Roy field where oil was due to flow in 1988. It is the first time that the Government has allowed a North Sea operator to postpone a big project on economic grounds after *approving its development.*

□ CITROEN expects to raise its share of the UK new car market to *2 per cent next year – a level not* reached since 1978 – with the help of a heavily-revised BX range of mid-sized cars launched simultaneously in France and Britain today. Citroen car sales in the UK rose from 24,502 in 1984 to 27,479 last year, which put its share from 1.4 per cent to 1.5 per cent.

□ BASS, Britain's biggest brewer, has paid £8.5m for the Carling and Carling Black label lager trade marks owned by Carling O'Keefe, the Canadian brewing subsidiary of Rothmans of Pall Mall.

The two Carling brands have been brewed under franchise by Bass for about 30 years. Carling Black label is the brand leader in the expanding UK lager market.

□ GOVERNMENT plans to provide a clearer framework for environmental policy after privatisation of the 10 regional water authorities in England and Wales has been welcomed by the Water Authorities Association.

The way that privatised water authorities will manage non-profit-making environmental matters, and the regulatory framework with*in which they will operate, have become* key issues in the run-up to privatisation.

Mr John Moore, Transport Secretary and former Treasury minister responsible for privatisation, says in an Aims of Industry pamphlet that in the privatisation programme will continue until all state-owned commercial industries are returned to the private sector.

□ ALLIED Dunbar Group, Britain's largest linked life company and now a member of BAT Industries, is joining the growing number of life companies offering house mortgages direct to the public.

□ PRIVATE-sector finance has provided more than £500,000 towards an electricity-generating barrage across the River Mersey which could encourage substantial development and economic growth along the river between Liverpool and Warrington.

Peugeot to enter minibus market

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

PEUGEOT TALBOT, the UK car subsidiary of Peugeot of France, plans to break into the small bus market. Union leaders at the Stoke factory, Coventry, were told yesterday that assembly will start early next year of 20-seater minibuses.

The company is aiming at an expanding sector just above the present 12 to 15-seater minibus market, which it says is already dominated by Ford, General Motors's Bedford and BL's Freight Rover.

Peugeot maintains that it will be one of the first to offer the slightly higher capacity vehicles projected to be in demand by operators with the changes now taking place in the industry as part of the privatisation of the National Bus Company.

Mr Peter Snelling, light commercial vehicle manager, said last night: "The market is wide open for companies able to provide a 20-seater to meet the demand for a commuter-type service running through housing areas."

Mercedes, of West Germany, has already achieved some success in the sector. Freight Rover has launched a 20-24 seater Sherpa minibus.

Peugeot sees the *introduction of* the new vehicle as a way to reduce the dependence of its Stoke factory *upon the contract to supply car kits* to Iran. The majority of the 650-strong labour force is involved in the *Iran contract, which has been* subject to numerous interruptions because of the continuing war with Iraq.

Mr Snelling said only 25 people would be required initially on bus assembly. Output would start at around 200 vehicles a year but could climb to more than 500. "It could be more, but we don't want to raise expectations. The market appears to be large, but it has to be tested," he said.

Peugeot will also offer a parcel-carrying commercial vehicle which, like the bus, will be based on the Talbot Express, a compact van currently imported from a factory owned jointly by Peugeot and Fiat, in Italy.

Peugeot regards the new venture as an important move to ensure the continued viability of the Stoke plant, where output on the Iran contract, at 300-400 a week, is now running at a comparatively low level.

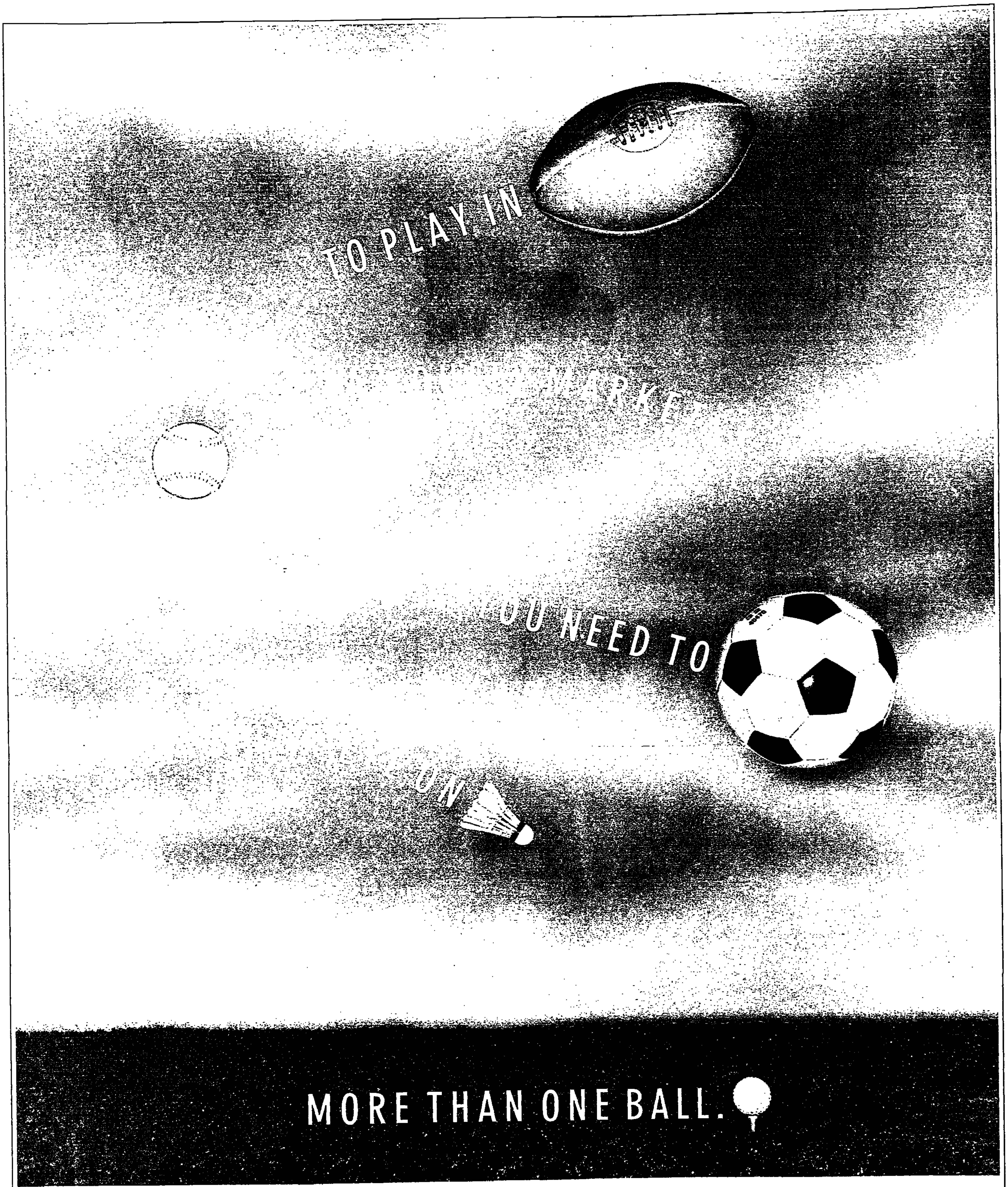
The deal, once hailed as the UK motor industry's biggest single export contract, until a few years ago involved the sale of 80,000 kits worth more than £100m. A slump in sales last year to 47,000 contributed to a pre-tax loss of £12.84m.

Exports to Iran are expected to fall again this year to little more than 30,000, but Mr Geoffrey Whalen, managing director, has already forecast "modest profits."

Last year Peugeot had to finance the phasing-out of old models to make way for the launching in February this year of the new 309 model which has enjoyed success in the UK market.

Output of the 309 has been increased this month at Ryton, Coventry, from 1,000 to 1,250 a week. From September, left-hand drive vehicles will be assembled to service export markets for the first time in 10 years.

Ryton, where the capacity on a single shift is 1,250, could see double-shift working within the next six months for the first time for more than a decade. The UK subsidiary is also confident its quality and productivity improvements should be sufficient to justify the French parent committing new investment to put another new car into production at Ryton late next year. The new range would compete in the fleet vehicle sector against the Sierra, Cavalier and Montego.


TO PLAY IN
NEED TO
ON
MORE THAN ONE BALL.

THE POTTED plants are blooming on the previously neglected terrace of the large and impersonal executive lounge on the top floor of the Peugeot headquarters in central Paris. There is also a prevailing mood of quiet confidence these days in the functional building of the French private car company which groups together the Peugeot, Talbot and Citroen marques.

Peugeot, France's largest private enterprise, has just returned to the black announcing consolidated net group earnings of FFr 543m (£51.2m) for 1985 after five consecutive years of losses totalling about FFr 8bn (£755m). Group sales have now risen over the psychological level of FFr 100bn. Jacques Calvet, the former banker brought in by the Peugeot family to help the car group recover, now expects profits to continue to rise this year.

As a sign of its new confidence, the company is planning to buck the general industry trend by boosting its maximum production capacity. And this despite its increasing alarm over French Government plans to bail out the troubled state-owned Renault group, Peugeot's main rival in the domestic market. Indeed, the private group has been claiming that Renault is undercutting the market to regain market share at Peugeot's expense.

"The die has now been cast. We are now pretty sure that the next three to four years will be good for Peugeot barring, of course, any unforeseeable calamities," says Calvet, chairman of the group and the principal architect of its recovery. Peugeot's profits are expected to rise to between FFr 2bn-FFr 3bn this year. At that level, company insiders suggest that the group will again distribute a dividend to shareholders for the first time since 1981.

But the recovery, and Peugeot's overall financial situation, remains relatively weak, especially compared with the profitability of the French group's major international rivals like West Germany's Volkswagen and Italy's Fiat and the big Detroit manufacturers in the US with major shares of the European market.

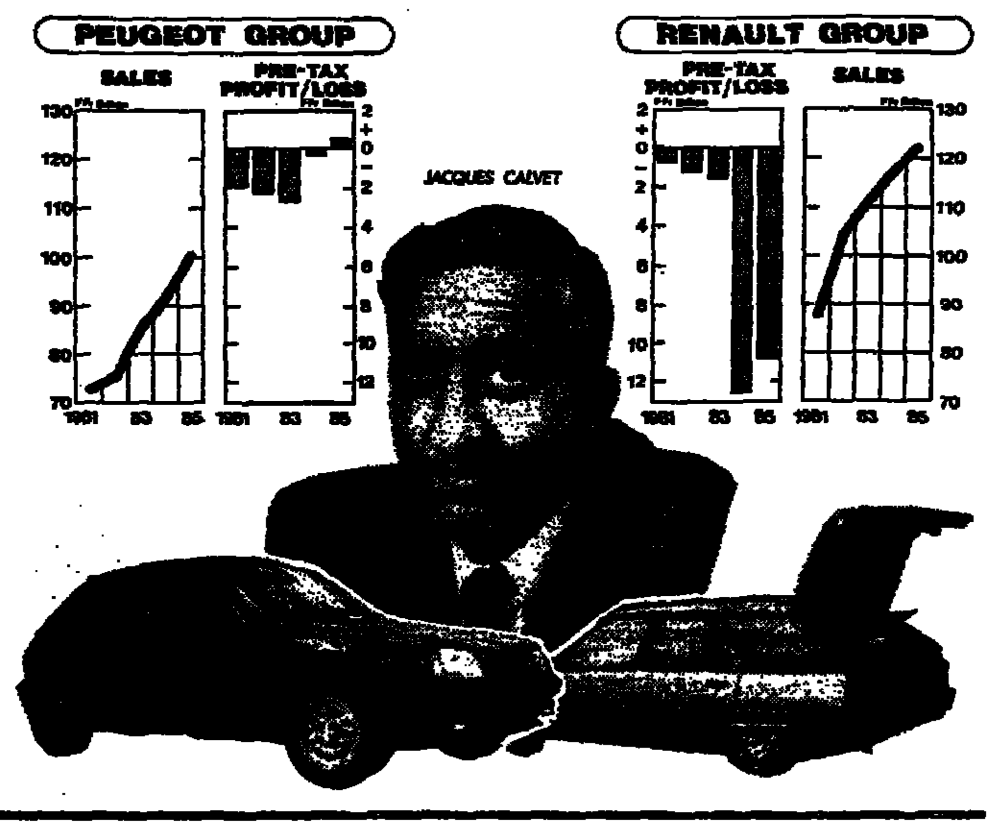
Another sign that a new leaf has been turned at Peugeot is the decision of Chrysler to take advantage of the recovery of Peugeot's share price and sell its 12.5 per cent stake in the French company. This move marks the final chapter in what has undoubtedly been the most difficult period in the history of the French car group.

Most of Peugeot's problems in the last years result from the group's expansionary policies of the 1970s with the acquisition

French motor industry

Peugeot pulls out of the pits

Paul Betts reports on the family company's targets following its return to profits



first of Citroen and then of Chrysler's European operations. From the beginning, the Chrysler deal become a tale of of unending disasters for Peugeot. But the group has now finally completed the restructuring of the former Chrysler assets and Citroen, which had also been losing money heavily, is also now on the road to recovery and profitability.

The Chrysler operations in France, Spain and the UK, renamed Talbot by the French group, have now been completely integrated in the Peugeot production system. The group has dropped the Talbot name in France and the large Poissy plant of Talbot outside Paris is now the main manufacturing facility of the Peugeot latest medium size saloon, the 309. At Ryton, near Coventry, in the UK, the group produces the Peugeot 309 and kits for export to Iran. In Spain, Talbot Solaras and Horizons are still produced as well as the Peugeot 205 supermini. The Peugeot 309 is also due to be assembled at the Madrid plant later this year.

Although the group says it is holding on to the Talbot marque, the name associated with most of the group's former problems in France appears destined for gradual extinction. All the more so as the group seeks to reinforce its image and recovery on the back of the commercial successes of its Peugeot 205 supermini and of the Citroen BX medium sized saloon. The success of the 205 in the world rally championships has further helped change the group's image from loser to winner.

Calvet describes the strategy of the group up to now as "a relatively basic industrial policy." Even before he arrived, this strategy consisted of integrating and rationalising the various industrial operations of the group, improving productivity by substantial reductions in the group's workforce, integrating disparate dealer networks, and reducing debt and financial charges by cutting general costs and strengthening the balance sheet by reducing short term debt and increasing long and medium term debts. This has included a FFr 960m bond issue with warrants and a FFr 925m rights issue.

"Our priority was first to clean up the business. Now we face the even harder job of continuing to make progress from a reasonable level of efficiency," says Calvet. To this end, the Peugeot chairman — who was named "manager of the year in France" for his achievements at Peugeot — explained that the group would have to define more precisely and "fine tune" its management and industrial strategy.

One of the key and most original aspects of this new strategy is Calvet's decision to increase Peugeot's production capacity from a current level of about 1.85m cars a year to 2m cars in the next few years. Concurrently, Peugeot will continue with its efforts to reduce its production break-even point. This has been coming down steadily from a whopping 2.2m cars in 1980 (compared to the group's total production of 1.65m cars that year) to 1.8m cars last year. Calvet's target is a further fall to 1.4m cars this year and to 1.2m next year.

The decision to increase production capacity contrasts with the strategies of other car groups which are seeking to cut production. Calvet emphasises that Peugeot has no intention of building new car plants but plans instead to upgrade and adapt existing plant to squeeze more capacity out of it. Indeed, the company is continuing to close old economically unviable plants in France.

"We have already drawn up detailed plans to make improvements inside our plants and also to help our suppliers of parts and equipment make the necessary improvements to enable us to increase production if necessary," says Calvet. The idea is for Peugeot to have as flexible a production system as possible to enable it to take advantage of changes in the pattern of car demand in different markets. Each plant can quickly switch to produce more of a given model. Calvet is currently banking on an eventual recovery of the French market from its recent depressed levels and of a continued advance in sales on a strong European market.

Peugeot plans to introduce a major new car model each year, alternating between Peugeot and Citroen marques. In the autumn Citroen will be launching a new mini called the AX. The group is also eyeing the US market where its efforts so far to penetrate the American market for so-called European luxury imports have been disappointing.

To improve productivity, Calvet says Peugeot will continue to try to reduce in the next few years its workforce by 3 to 4 per cent a year. Peugeot now employs 175,800 people—in 1983 the figure was 203,000.

The company is striving to introduce greater labour flexibility in its operations not only for blue collar workers but also for middle management, offering opportunities for part-time work, unpaid leave and incentives for managers to leave the company. The Peugeot division is seeking to reduce management staff by 270, more than 10 per cent of the total.

In its plants, Peugeot is not seeking to automate production completely. "We do not want to automate 100 per cent like some of our competitors," says Calvert. "We adopt a Japanese approach of automating some operations but not all of them. We believe some jobs are still better done by men rather than machines."

The group is also continuing to improve the integration of its production system while preserving the separate corporate identities of its Automobiles Peugeot division and its Citroen subsidiary.

Calvet is categorically opposed to any major agreement or merger with another car group to rationalise production, but would be interested in specific and more modest ventures with other manufacturers.

"We are not planning to do anything spectacular but useful and profitable smaller things as we have already done in the past like the joint production of a small van with Fiat," explains Yves Rapilly, the group's financial director. Rapilly also said the group planned to go on developing a flexible financial strategy to reduce debt charges. Peugeot's debts are still large, totalling FFr 32.45bn at the end of last year, but it hopes soon (though probably not this year) to finance annual capital expenditure from internal cash flow.

Capital expenditures last year increased by 46 per cent to FFr 5.9bn and are expected to rise by a further FFr 1.5bn this year. By contrast, cash flow amounted to FFr 4.24bn last year and will rise significantly this year.

Although Calvet says the group has at present no plans to return to shareholders for fresh capital, financial analysts expect a new rights issue by Peugeot in the not too distant future.

Despite its turnround Peugeot is also showing signs that developments at its state-owned French rival, Renault are making it nervous. The state car group is now struggling to recover after reporting a record loss of FFr 12.5bn in 1984 and another huge loss of FFr 10.9bn last year.

Georges Besse, chairman of Renault ,has launched a sweeping restructuring programme aimed at recentring the state group's businesses on its core car manufacturing operations—a move which is slowly beginning to bear some fruit. Renault operating losses are believed to have been cut to about FFr 500m a month so far this year compared with about FFr 1bn a month during the first half of last year. But Renault also urgently requires a major restructuring of its balance sheet and is seeking some FFr 15bn to FFr 20bn in support from the state, its sole shareholder.

Calvet is opposed to the state bailing out Peugeot's main domestic competitor with FFr 15bn or more. He argues that this would seriously distort competition and be grossly unfair to Peugeot, though he is not opposed to what he calls a "reasonable" level of state support for Renault.

Moreover, Calvet, who has voiced his concern directly to Edouard Balladur, the conservative finance and economy minister, is also worried by Renault's recent aggressive marketing strategy in France. Latest French car registration figures show that Renault, boosted by the launch of its new R-21 medium sized saloon, is improving. Indeed, Renault again overtook the Peugeot group in May with a 32.5 per cent share of the domestic market compared to just under 30 per cent for Peugeot. At the end of last year Peugeot had over 33 per cent of the French market while Renault was below 30 per cent.

But Renault, in turn, has been increasingly irritated by what it regards as a "guerrilla campaign" against the state group by its private rival. "They are now financially healthy again and we are still in the dumps. We are doing all we can to recover," says a Renault official, echoing Renault management annoyance at what the state group feels are unjustified attacks and innuendos by Peugeot over Renault marketing policies.

"It's the same old story. As soon as we start doing a bit better than them commercially on the domestic market the Peugeot people start losing their cool," remarks another Renault insider.

Management abstracts

Should Advertising Always be kept "Simple"? M. C. Macklin and others in Journal of Advertising (US), Vol 14 No 4 (8 pages).

Asserts that the view that ads should always be kept "simple" is to be challenged; a survey shows that increasing difficulty of "readability" makes no difference to recall, attitude or purchase intention.

News versus Entertainment TV Viewers. T. A. Swartz and L. Meyer in Journal of Advertising Research (US), Dec, 1985-Jan, 1986 (8½ pages).

Considering the influence of TV programme content on advertising, reports research aimed at finding whether viewers' use of, and attitudes to, television provides a basis for developing more effective advertising. Identifies three user segments: the largest is interested in being entertained, the smallest is interested in news/information, and the other is a mixture of both; draws broad conclusions about what this indicates about advertising preferences.

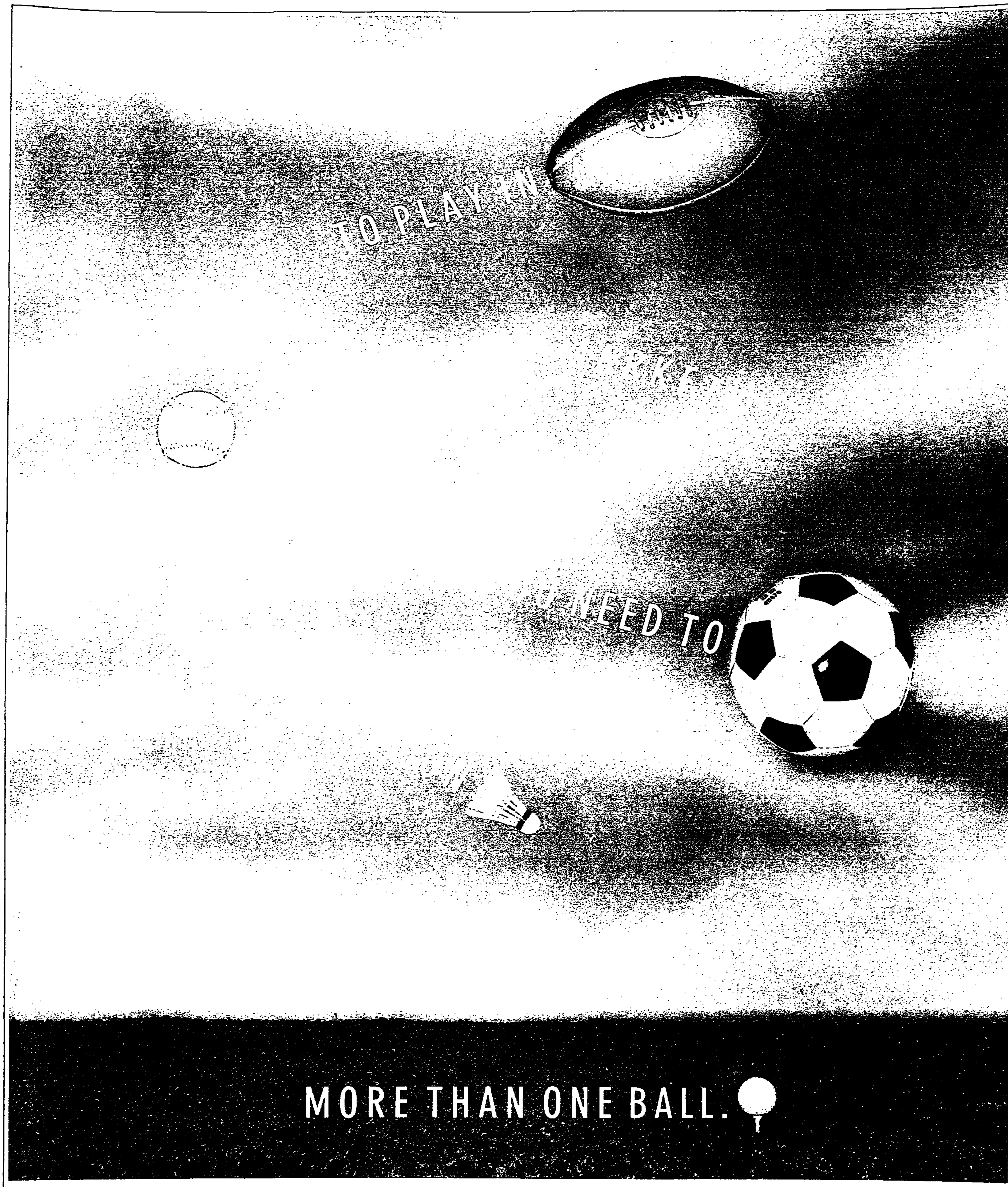
Export Market Research. S. T. Cavusgil in Business Horizons (USA), Nov/Dec 85 (7 pages).

Points to the need for market research by companies intending to enter foreign markets; surveys how a sample of companies used export market research, particularly to identify markets, assess sales potential, and identify distributors/agents. Describes an approach to analysing foreign market opportunities, mainly through desk research, and the type of information to be gathered at each stage; defines information sources, and suggests some practical approaches to gathering information — including advertising, participation in trade fairs, and trade audits.

Using Focus Groups for Market Intelligence. E. H. Fram in Business Marketing (USA), Dec 85 (2 pages).

Describes the use of "focus groups" — internal think-tanks, headed by marketing management, comprising all staff with direct end-user contact — to provide market and product intelligence, as a basis for, inter alia, new product/customer service ideas.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.



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Cinema/Nigel Andrews

Runaway movie, right off the rails

Runaway Train directed by Andrei Konchalovsky

The Money Pit directed by Richard Benjamin

Bring on the Night directed by Michael Apted

The Mothers of the Plaza de Mayo directed by Susana Munoz

Fighting for freedom. Jon Voight in "Runaway Train"

It is a little-known scientific theory that up in Alaska, where the freezing air inhibits the oxygen supply to the brain, more crazy things can happen in two hours than almost anywhere else in the rest of the world.

Take the story of *Runaway Train*. Psychopathic criminal Jon Voight has been welded into his cell for three years. Aided and accompanied by a retarded prison-mate (Eric Roberts) he escapes and smuggles himself onto an old train. It starts up without warning and the driver dies of a heart attack. This causes the train to plough on for miles, out of control. Then a woman turns up (Rebecca De Mornay), an engineer left on board when the locomotive started. Can she help? The trio try to slow or arrest the beast, but soon it is ripping through the tundra, crossing shaky bridges, skirting chemical plants, near-missing oncoming trains, and traversing mind-blowing stretches of portentous dialogue.

Meanwhile back at railway HQ, the young wizard who designed the "system" tries to stop the train; the rail chief seethes, splutters and makes suggestions ("Derail the sonovabitch"); and the mad-eyed prison governor rages for the duo's recapture.

If this story had been served up as a ripping yarn, who could complain? It has every narrative pulse-quickener known, except rape and cannibalism. Unfortunately it is also freighted with large quantities of cracker-barrel philosophy, some decidedly unstable over-acting, and in-two-minds direction by Russian emigré Andrei Konchalovsky (*Siberiade, Maria's Lovers*) that suggests he is out to take the brakes off his Western career, commercially speaking, without jettisoning his claim to be an artist and message-deliverer.

The original screenplay was by Akira Kurosawa, no less, and has been knocking around for years. It has remained hitherto unfilmed, I suspect, because no director had the nerve to separate, or the skill to weld properly together, the two components of weighty metaphor and entertaining mayhem.

Konchalovsky seems incapable of handling the symbolism without dropping it on everyone's toes. There is the train as runaway destiny. There is Voight as the elemental beast ("human train"?) hero-worshipped by the even lower life-form Roberts. And there is the assaultingly tendentious dialogue, which has all the subtlety of a classroom blackboard-wiper repeatedly thrown at inattentive children. "You're an animal," screams De Mornay at Voight. "No, worse," he replies, "a *human!*" And the prevailing message of mortification or self-vituperation for the human race is rammed home by the system-designer back at HQ. Impotent amid his consoles and computers, he cries, "Why couldn't we stop the train—with all this hi-tech?"

I will tell you why: because there would be no movie without it. The train is a runaway plot contrivance roaring along the tracks towards a hoped-for collision — and why not? — with the box-office cash register. The pity is that if the movie had the courage to remain an action yarn, and had thrown overboard the statement-on-mankind pretensions, it might have made a first-class high-speed entertainment, none too plausible perhaps but not too resistible either.

★

The woes of house-owning, fresh from receiving *grand guignol* treatment in last week's *House*, now get a slapstick going-over in *The Money Pit*. Those on intimate terms with the Bible will recall that "it is better to dwell in a corner of the house-top, than with a brawling woman in a wide house." This is very much the experience of Tom Hanks and Shelley Long. Two lovebirds turfed out of their apartment, they buy a bargain-price mansion from Maureen Stapleton, who has to sell fast because her husband has fled the country.

"You think you know a man after 25 years," she complains, "and then Israeli intelligence knocks on the door." (Her husband worked for Hitler, but never mind that now.)

Exit Stapleton, and Hanks and Long are soon camping out in the lofty bedroom, dismayed by the fact that the rest of the house seems to be falling apart around them. The front door falls off its frame; the master staircase collapses like a stack of cards; the kitchen explodes, sending a ballistic turkey out of one window and through another. And the plumbing and painting mafia employed by the couple to make repairs are determined to make the house look worse before it looks better.

But even this proves a dream when the pair spread out into the renovated manse only to discover that it is now their love affair, after a supposed infidelity, that is falling apart. Dwelling in a wide house with a brawling helpmeet, each is soon yearning for the old love-nest days in the corner of the house-top.

Richard Benjamin directs for maximum mirth extraction; Miss Long (of TV's *Cheers*) and Mr Hanks (formerly of *Splash* and now developing into a Jack Lemmon heir) act with pith and moment, and David Giler *(The Black Bird)* wrote and executive-produced for the Spielberg company.

★

Bring On The Night, directed by Michael Apted, is a feature-length "rockumentary" about the singer Sting and the birth of his new band. Those on intimate terms with the poems of W. H. Auden will remember the abjuration, "Leave truth to the police." Sting, alias Gordon Sumner has ignored this advice, left the Police (for now), and sought artistic truth with a group of jazz-oriented black musicians from the USA. Will he find it? And why has he gone to France to do so?

This movie follows the quest through rehearsal sessions in a *château*, interviews between Apted and the new band recruits on the *château* lawn and a Paris press conference (why does Sting like working in France? — "I think it has a certain *ambience*") towards the climactic show which provides the group's baptism.

There are moments of long-faced hilarity (the show's designer, defending its use of mournful monochrome, explains, "Sting wanted it to be Brechtian") and of tortured articulacy ("It's both cerebral and visceral" says one of the girl vocalists of Sting's music). But the pervasive tone is that of a 97-minute publicity brochure fawningly adoring of its subject, right up to the icky sequence in which Sting watches the birth of his new baby in a Paris hospital and wipes away a sleeveful of invisible tears with his hospital smock.

★

Better to trip along to Hampstead to catch *The Mothers of the Plaza De Mayo*. Susana Muñoz's documentary about the mothers and grandmothers of the *desapericidos* in Junta-era Argentina is a rare and moving portrait of love, anger and bravery under pressure.

Maxwell Davies concerto/Festival Hall

Max Loppert

The Violin Concerto of Peter Maxwell Davies came on Wednesday to London after a birth process accorded very few new pieces of serious music — a world première at the Orkney Festival last Saturday (broadcast live on radio and television) followed by recording sessions for CBS. But then, few contemporary composers have the power or the renown to attract Isaac Stern and André Previn (conducting the Royal Philharmonic both in Kirkwall and at the Festival Hall) as their midwives.

On the evidence of this performance the whole enterprise was handsomely justified—not least because all the players had arrived on South Bank with an interpretation of the piece far more "lived in" than the very first one had been. The new concerto seems to me remarkably successful at reconciling the various demands placed on the composer — by the particular performers, the particular occasion, and not least by his own compositional high standards.

The Violin Concerto, lasting about a half-hour, is an extremely taxing yet also notably flattering vehicle for a world-famous violinist, who must bring forth every kind of virtuosity — and then a bounty of inward grace and quiet poetic understanding besides. It is an admirably practical piece of orchestral writing for modest forces (by late-20th century standards, that is: hardly larger than the standard Classical orchestra) in which solo and group statements are set together and apart with, on the whole, sustained expertise. And, in all this, it remains true to its composer's recent preoccupations.

Naturally enough, this is an "Orkney piece" — or, if less stirred by northern winds and waters than some of its recent predecessors, still very much a work of art tied to its Scottish time and place. The centre-piece of a three-movement structure (unfolded without pause) admits this Scottishness most explicitly, and with an emotional impulse that proves immediately affecting: it is a simple piper's lament, *adagio*, in which divided strings provide drone support to the quiet solo keening.

But more than this, the mastery of the work can be instanced in the way such a piercing "popular" invention is itself drawn from the dominant opening material—a bassoon-and horn duet of gentle falling and rising sighs. The opening *Allegro moderato* treats this material rigorously and rather dourly, to the composer's now-familiar appropriation of sonata argument, attended by growing intimations of provocative timpani and brass flare-ups to point anew Maxwell Davies' Sibelius inheritance. The finale returns to the initial subject matter, but now in a mood of breeze-blown sprightliness, gradually infused by a tender, troubled recall of the lament. The close is a question-mark: very much the fitting conclusion.

The Violin Concerto hangs together. It has audience appeal not factitious but honestly earned. The solo writing (which takes in a big cadenza in the first movement, a traditional device revived with absolute rightness) should soon attract other leading players, though few will bring the personal, "animal" sonority and style that Stern so beautifully found last night. It is not exciting, as Maxwell Davies' early works were, but it has vitality, intensity, an inner life.

The Relapse/Chichester Festival Theatre

Michael Coveney

Richard Briers as Lord Foppington is only one of several disappointments in this messy and incoherent revival of Vanbrugh's comedy. Mr Briers is an actor capable of many things—pathos in Ayckbourn, humour in Ibsen—but vanity on the rampage is not in his repertoire. He is too kind, too genial and altogether too nice a character to be caught slapping his vitals or striking himself dumb. Foppington, as Hazlitt said, is a strutting vainglorious blockhead; Mr Briers creeps up behind him and gooses the upstart peer with good manners. He neither revels in poodle disguises nor incriminating vowels as did Simon Callow, nor goes to town on the catch-phrases as did Donald Sinden.

Foppington is off for much of the action which leaves Matthew Francis's earnest production doubly exposed. This may, in fact, be the idea, for the central amorous quadrille is as forcibly played as I can remember it. It is just not very interesting. The trial of virtue in Loveless's and Amanda's marriage is vigorously counterpointed with Worthy's plot, and Berinthia's merry widow antics. The sub-plot takes over, leaving the Foppingtons assault on the well-endowed country girl Hoyden a flashing shadowplay.

This is all very well, and long stretches of dialogue are heard as if for the first time. Particular beneficiary of the downbeat approach is Paola Dionisotti's inventive and intelligent Berinthia, whose dilemma and sexual ambition are very well exposed. But the play's motor is missing.

The country squire Sir Tunbelly Clumsey, Hoyden's father, is an initially sinister figure, Harold Innocent emerging from the shadows in a blood-spattered apron resembling nothing so much as Benny Hill having a go at Sweeney Todd.

It is difficult to live with the sheer ugliness of the costumes, which look cheap and flimsy, apologetic even against a chaotic scenic background (designed by Di Seymour) of broken pillars, aborted architraves, scaffolded platforms and an illuminated peacock, as if the director were trying to tell us something about a fop rising above the architectural rubble of Vanbrugh's mixed artistic enterprises.

Kate Buffery's Amanda is interesting and intelligent although appallingly costumed; David Gwillim's Loveless a formidable and commanding roue; and Miss Dionisotti's Berinthia is a wonderful study, against all the odds, of sexual reawakening among the poseurs. Tamsin Olivier makes an eye-catching début as a buxom sultry maid and Ronnie Stevens is a remarkably unlascivious pigeon-toed little Pandar. Do they know nothing of sex in Chichester?

Romeo and Juliet/Ludlow Castle

B. A. Young

The open-air Ludlow Festival production by Chris Hayes takes a teenage view of *Romeo and Juliet*. No one is so much at home as Abigail Cruttenden's Juliet, who looks a potential 15, even if 13 is beyond her, and sounds it too. Romeo (Richard Garnett) and the Montagu gang are refugees from the Job Centre, in spite of their smart silk breeches.

The older folk are adults seen through teenage eyes, constantly making absurd demands and erupting into anger when they are not at once obeyed. Lady Capulet (Mandy Rice-Davies) tells us that she is 26 or 27 years old, but the youngsters can see that, behind the cosmetic art, she is *much* more than that. The Prince (Raymond Adamson) shows the alarming superiority of a strict headmaster.

Within these frontiers the acting is enjoyable though I found the pentameters of the verse too clearly spelt out sometimes. Michael Cassidy's Mercutio dies with more good humour than regret; Andy Taylor's Tybalt impeaches with the blood accuracy of his sword-play. Romeo had the misfortune to be rained off just before the balcony scene. He returned after a quarter-hour break with "He jests as scars," and his victory over the elements put fresh vigour into his already vigorous playing.

The text is slightly cut. Instead of the opening sonnet we have a shrill Nurse (Maria Charles) calling for her man Peter, who is involved in a shortened version of the initial family quarrel. Sean Cavanagh's design uses a beauteous but unpractical pile of Renaissance architecture against the upstage wall of Ludlow Castle's handsome ruins. Around it is a three-storey network of scaffolding which is not used to delineate specific acting areas much except in the case of Juliet's lofty bedchamber. (Romeo breaks in for his wedding night with a long slide down a rope from the top of the wall). Friar Lawrence (Nicholas Smith, truly clerical) has a cell that extends the full width of the stage. Romeo must have been soaked when he bravely fell on the rainy floor to sob his heart out.

Ricercare/Sadler's Wells

Clement Crisp

The final programme of the Rambert season on Wednesday brought the revival of Glen Tetley's *Ricercare* and the first performance of Ashley Page's realisation of a Harrison Birtwistle score, *Carmen Arcadiae Mechanicae Perpetuum*. It is music brisk, energetic, fragmented, and Mr Page's piece, which takes its title from the score, is responsive to many of the music's procedures. The set and costumes are by Jack Smith—the Rambert design record continues to be most distinguished—and feature two brilliantly patterned overlapping panels against which rainbow-hued leotards for the cast match the generally bright and bouncy feeling of the work.

The plotless choreography divides the dancers into groups—three men, two women, an attendant trio of women—whom Mr Page deploys in patterns and evolutions in which a certain amount of the academic vocabulary is employed, though stretched, developed, distorted to give a "modern" twist. The effect is lively: there are tensions between quick steppings and calmer grouping, between the male trio and the two groups of women, between bursts of action and passages when the dance congeals and then flows on. Brief in span, and succinct as Mr Birtwistle's score, Carmen Arcadiae suggests that Ashley Page is learning his craft, and has benefited from the chance to work outside the daunting arena of the Covent Garden stage.

The revival of *Ricercare* brings back one of Tetley's most sensitive emotional dialogues. Diane Walker and Robert Poole are the couple first seen sheltering on the grand curve of Reuben Ter-Arutunian's wooden shell. They state the dance with rather more gentleness than earlier Rambert casts, but the opening out of the action, as their relationship moves from serenity to anxiety before finding its ultimate repose again, is well delineated, and the work's nervous momentum is excellently maintained.

Alastair Muir

Amanda Britton and Mary Evelyn

Rosy future for Garden

Change is in the air at Covent Garden at last. Bernard Haitink, who takes over as music director of the Royal Opera in the autumn of 1987, but who is already actively involved with programme planning, yesterday gave some indication of his thinking. He hopes to present one new opera each season.

Works by Berio and Harrison Birtwistle are already in the pipeline. In addition Haitink intends to promote the Covent Garden orchestra: he will bring them out of the pit to play concerts featuring the work of British composers, including new commissions. A third innovation will be Haitink's debut as a conductor of the ballet — he hopes to work with the Royal Ballet on a Stravinsky triple bill next season.

The 1986-87 season at the Opera House will feature five new productions — *Jenufa* by Janácek (direction by Yuri Lyubimov, Haitink conducting, Gabriela Benacková in the title role); Verdi's *Otello* with Placido Domingo, the notorious production planned for this season which will now open on January 13, 1987, *not* with Peter Hall as director; *Norma* by Bellini; Massenet's *Manon*; and one of the Opera House's commissions, *The King goes forth to France* by the Finnish composer Aulis Sallinen, which receives a British première.

Another innovation in the house is the advent of subtitles, a guide in English to the action, which will be first used in an evening performance on November 17 with the new *Jenufa*. The screen, measuring 10 feet wide by 3 feet high, has been given by the Dorrington Corporation: it cost £22,200. Three more operas in the season will be treated with surtitles, which have been tried out at schools matinees.

For two seasons Bernard Haitink will be splitting his responsibilities between the Opera House and Glyndebourne, where he remains music director until 1988. His arrival coincides with two departures—chairman Sir Claus Moser retires in July 1987, and general director, Sir John Tooley in July 1988. Between 1991-1993 Covent Garden will be closed for stage rennovation.

A.T.

Saleroom/Antony Thorncroft

Highly contemporary

In the 1960s Friedrich Karl Johnssen was one of the leading collectors of modern art, commissioning works from the young artists of the day, and often paying negligible sums. On Wednesday night Sotheby's sold the bulk of the collection for £414,887. As usual in contemporary art there were hits and misses.

The main failure was the most important work, Malcolm Morely's enormous "New York City Postcard," almost twenty foot long, which was unsold at £140,000, just short of its low estimate. But "Concerto Spaziale" by Lucio Fontana went for £49,500, and a similar uncluttered canvas, "Achrome" by Piero Manzoni did well at £45,100. "Reclining figure No. 3" by Henry Moore made £40,700.

Contemporary art met a better response yesterday at Sotheby's with the total of £1,894,310 and 19 per cent unsold, unprecedentedly low for London, which usually trails behind New York in this sector. There were nine new artist auction records, including the £143,000 paid for "Luna a Venezia" by Fontana. Another work by this Italian artist, "Fine de dio," made £99,000.

Another record was the £83,600 paid for "Composition" by Serge Poliakoff, as was the £59,400 which secured Jean Tingley's "Fontaine F," an iron sculpture. "Se 181," made of sponge, plaster and metal, by Yves Klein sold for £79,200. Among the other artists who set new highs were Burri, Tapies, Alechinksy and Vieira da Silva.

In the prints at Sotheby's yesterday Siebu of Tokyo paid £125,400 for Chagall's "Daphnis and Chloe," a set of 42 plates plus the title, and a record for the set. Mulder bought Munch's celebrated "Madchen auf der brucke" print for £82,500.

The excellent library of Lionel Robinson is being sold by Sotheby's and the first session totalled £366,256 with virtually everything going. Robinson is celebrated for his act of daring in acquiring the vast residue of the famous Phillipps collection. Top price was the £57,200 paid by Clavreuil, the French dealer, for a 1527 Missal, the use of Evreux, the only recorded perfect copy. "A narrative on the death of Captain James Cook . . . and observations respecting the introduction of the veneral disease into the Sandwich Islands," a first edition by David Samwell, was bought by Quaritch for £19,800.

Among the vendors at Christie's furniture sale yesterday were the Duke of Buccleuch, the Countess of Sutherland—and Faye Dunaway, the actress. She disposed of five items and realised £6,912 from one of the, a George III satinwood Pembroke table. Top price was the £91,800 paid for a Chinese scarlet and gold lacquer six leaf screen, over double the estimate.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
27	28	29	30	1	2	3

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: A long-awaited new production of Fidelio marks Colin Davis's final appearance as Royal Opera chief conductor. The producer is Andrei Serban; the cast is led by Elizabeth Connell, James King, Hartmut Welker, and Gwynne Howell. (240 1066).

English National Opera, Coliseum: Last two performances of the season – Donizetti's Mary Stuart with Faith Elliott in the title role, and the company's beautiful modern reworking of Dvorak's Rusalka. (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet has a varied programme. (240 1066).

Coliseum: Dance Theatre of Harlem season opens on Tuesday until July 12. (836 3161).

PARIS

Die Zauberflöte in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (432 9606 11).

Salammbo alternates with Don Quixotte in Rudolf Nureyev's choreography and production adding a playful element of Commedia dell'Arte and a lovers' intrigue to the original opera created by Petipa in 1869 to music by Minkus. Paris Opera (42665022).

Mozart Festival – Don Giovanni is coproduced by the Orchestre de Paris, Washington Opera and the Théâtre des Champs Elysées, conducted by Daniel Barenboim, Orchestre de Paris choir conducted by Arthur Oldham in Jean-Pierre Ponnelle's production at the Théâtre des Champs Elysées (47234777).

The Wuppertal Tanztheater is bringing two works by Pina Bausch with her violence in deciphering human nature and her tenderness in understanding it to the Théâtre de la Ville (42742277).

WEST GERMANY

Berlin, Deutsche Oper: Rigoletto, a Hans Neuenfels production has Ingvar Wixell, Barbara Hendricks and Dano Raffanti. This week's highlight is Tristan und Isolde starring Ingrid Bjoner, Spas Wenkoff and Martti Talvela. Also Dieter Siebert's Untergang der Titanic and Tosca. (34 381).

Hamburg, Staatsoper: A concert version of Boito's Mefistofele with Gabriela Benackova, Galina Savova and Samuel Ramey, conducted by Giuseppe Patané (35 11 51).

Frankfurt, Opera: The last performance this season will be Der Rosenkavalier. The cast includes Ellen Shade, Marianne Rorholm, Susan Roberts and Dieter Weller. (25 621).

Cologne, Opera: Zar und Zimmermann has fine interpretations by Marianne Hirsti, Franz Grundheber and Martin Finke. Figaros Hochzeit, sung in Italian has Janice Hall, Andrea Andonian and Claudio Nicolai (20 761).

Stuttgart, Württembergisches Staatstheater: There was much praise for Jenufa. Manon Lescaut features Ursula Koszut, Helene Schneiderman and Raymond Wolansky (20 321).

ITALY

Rome: Terme di Caracalla: The Rome Opera summer season opens with Alberto Fassani's production of Lucia di Lammermoor (the first performance at the open-air theatre here *for over 30 years*). Edita Gruberova sings the title role, with Alberto Cupido as Edgardo and Juan Pons as Enrica. The young Friedrich Haider conducts and the scenery and costumes are by William Orlandi. (46 17 55).

Milan: *Teatro alla Scala: Le Martyre* de Saint Sébastien by Debussy conducted by Sylvain Cambreling, and directed by choreographer Maurice Bejart. Scenery and costumes are by Maurizio Balo. Eugene Onegin, conducted by Seiji Ozawa (on Thur by Armando Gatto) and directed by Andrej Konchalovsky (80 91 26).

VIENNA

Staatsoper: Manon Lescaut conducted by Sinopoli with Zampieri, Hintermeier, Heim, Mauro, Rydl, Gahmlich; La Boheme conducted by Gualdagno; Carmen conducted by Weikert with Baltsa, Borowska, Carreras, Gyldenfeldt. (53 24/26 55).

Volksoper: The Magic Flute; Der Vogelhändler; Der Opernball (53 24/26 57).

NEW YORK

New York City Opera (NY State Theatre): 20 weeks of summer opera including new productions of Werther, Don Quixote, the New Moon and the world premiere of *Anthony Davis's* X (The Life and Times of Malcolm X) starts with a week of Bernstein's Candide. Lincoln Center (870 5600).

TOKYO

The Jose Miguel Dancers: All-flamenco performance as part of Japan's fascination with Spain and start of Tokyo's summer season of flamenco dance. Yurakucho Asahi Hall, near Ginza and major hotels. (Tue, Wed, Thur). (475 5220).

Theatre

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the *crusading hero of Larry Kramer's* hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

Orphans (Apollo): Last chance to catch explosive collision of acting styles between Albert Finney and two of Chicago's Steppenwolf artists for implausible, gutsy drama. (437 2663). Until end of June.

Anthony and Cleopatra, The Taming of the Shrew (Haymarket): Vanessa Redgrave as Cleopatra and Katherina leads brave West End presentation and astonishes still with her elemental talent, especially as Cleo. (930 9832 (CC) 240 7200).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but ringing just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's mumblingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592).

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Loot (Music Box): John Tillinger directs this high-spirited revival of Joe Orton's 1966 macabre farce featuring Zoe Wanamaker as the homicidal nurse who romances a widower while burying his wife and conniving with their thieving son to hide the body. (239 6200)

WASHINGTON

The Caine Mutiny Court Martial (Eisenhower): Charlton Heston and Ben Cross star in the military courtroom drama written by Herman Wouk. Ends July 6. Kennedy Center (254 3670).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

True West: The Japanese version of Sam Shepherd's play directed by Nobuhiro Nishikawa as part of a short Sam Shepherd season. Parco Space Part 3, Shibuya. (477 5860, 56 56/6).

Exhibitions

LONDON

The Tate Gallery: Oskar Kokoschka – a major exhibition to mark the centenary of the *Austrian survivor of* the great age of expressionism before World War I, who died only in 1980 at the age of 94. He continued to work long into old age, by which time the sometime radical, ex-cavalryman in the Austrian Emperor's army had been long confirmed in the Establishment, a Swiss resident for nearly 30 years and British citizen for over 40. This full retrospective confirms that the young painter, fresh from his studies in Vienna in the mid-1900s, was an artist of vision and true genius. Ends Aug 10.

PARIS

French Masters of the 19th and 20th century: The catalogue of the yearly Robert Schmit exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's speciality. Caillebotte, Cézanne, Van Dongen, Fantin-Latour, Odilon Redon and even Soutine grace the walls with bouquets of flowers while Chagall has a flowering tree in his red-toned sunset. Degas has a study of two dancers and a fiery coloured oil of a nude combing her hair. There is a large composition by Derain from the late 1930s, The Painter And His Family grouping in a surprisingly realistic rendering – his wife with a book, his niece, his sister-in-law, family cat and himself in the centre before an easel with a brush in his hand.

The strong point of the exhibition is a Picasso painted in 1900, a scene of typical Spanish figures in expressive attitudes and striking colours in front of a wine shop. As a counterpoint there is a stylised Woman in a Rocking Chair *dated* 1956 with the same strong orange, black and blue summing up Picasso's artistic development. Galerie Schmit, 396 Rue Saint Honoré (4260 3636), closed Sun and lunchtime. Ends July 19.

WEST GERMANY

Bayreuth, Iwalewa-Haus, Münzgasse 8: Art and Culture from the Congo and Zaire. About 300 paintings, cult and practical objects from the Colonial period to today. Ends June 29.

Hamburg, Kunsthalle, Glockengießerwall 1: Renaissance of the North. 110 German and Dutch paintings on loan from the Paris Ecole des Beaux-Arts. Among the artists are von Boots, Dürer and Goltzius. Ends June 29.

EAST GERMANY

Dresden: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, *has been* redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1763 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. *Ends* Nov 2.

ITALY

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre *on* the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly *from 1909-18, but* there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

NETHERLANDS

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th century 'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. *Ends August 10.*

SPAIN

Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration *of a new art centre* in Madrid: Centro Reina Sofia, Santa Isabel 52. Ends Sept.

NEW YORK

Japan House: Burghley House, with the earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through *1988* with *205* Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera *covering 12 scenes and* 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

WASHINGTON

Hirshhorn Museum: 75 works of the California sculptor Robert Arneson presents the glazed ceramics he pioneered in what became the Funk movement *in the 1960s with its* irreverent view of other artists, contemporary artefacts and art itself. Ends July 6.

National Museum of American Art: 68 Pueblo Indian water colours from between the world wars recreate the *ritual animal dances among* other disappearing tribal customs. Ends August 17.

CHICAGO

Art Institute: Famous as a fashion photographer, Richard Avedon undertook a five-year project to capture the American West in the tradition of nineteenth-century photographers such as William Henry Jackson. The results are "a fictional West", Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends August 3.

Art Institute: Treasures of Japanese *Buddhist* Art, the only *showing* in the Western world of works from the great Todaiji Temple in Nara, Japan, includes 151 statues, handscrolls and intricately designed lacquered objects from the largest wooden temple in the world. Ends Sept 7.

TOKYO

Tang Three Colour Glazes: Ceramic vessels and figurines excavated from burial mounds of the Tumulus period in their characteristic brown, green and blue glazes: Idemitsu Art Gellery, 9th floor of the Kokusai Building, above Imperial Theatre. Ends July 6.

Music

LONDON

Alfred Brendel, piano and Heinz Holliger, oboe with friends. Beethoven and Mozart. Royal Festival Hall *(Mon). (928 3191).*

Philharmonia Orchestra conducted by Guido Ajmone-Marsan with Stephen Bishop-Kovacevich, piano. Strauss, Beethoven and Dvořák. Royal Festival Hall (Tue).

London Mozart Players and London Choral Society conducted by Jane Glover. Haydn: The Seasons. Royal Festival Hall (Wed).

SPAIN

Granada International Festival: Alexis Weissenberg, *piano.* Franck, Schumann (Mon); Eulalia Sole, piano (Thur). Commemorates 1927 generation of poets and composers. Auditorio Manuel de Falla. (22 52 01).

Barcelona, Grec 86 Festival. Orquestra Solistes de Catalunya. Mozart (Tue); mezzo Anna Ricci (Thur). Jardins de l'Hospital.

VIENNA

Vienna Boys Choir and the Bruckner *Orchestra of Linz* conducted by Luwe Christian Harrer. Bach, Beethoven. St Stephen's Cathedral. (Mon).

Vienna Symphony Orchestra conducted by Sergiu Comissiona with Boris Pergamenschikov, cello. Verdi, Elgar, Tchaikovsky. Rathaus Arkadenhof (42 800/28 74). (Tue).

WASHINGTON

Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long series of popular singers and musicians includes recital performances Neil Sedaka, Shirley *Bassey, Dionne Warwick and Petula* Clark. Ends Aug 27.

CHICAGO

Ravinia Festival: The 5st season, honouring Mozart and the 230th anniversary of his birth and Liszt on the 100th anniversary of his death, starts with James Levine, piano and Shlomo Mintz violin, Michael Ouzounian *viola, Lynn Harrell, cello and* David Taylor, violin. Mozart, Brahms, Dvořák (Tue); Kathleen Battle, soprano with James Levine, piano (Wed); and Windham Hill Live with Michael Hedges, William Ackerman, and Shadowfax (Thur). Highland Park. (728 4642).

TOKYO

Dimitris Sgouros (piano): Scarlatti, Beethoven, Ravel, Chopin. Tokyo Bunka Kaikan. (Mon). (237 9990; 980 6060).

***Josef Anton Scherrer** (piano): Boulez,* Moroi, Cage, Stockhausen, Takemitsu, Widmaier, Fortig, Ingham. Vario Hall, near Tokyo University (Tue). (818 4151).

Vienna Bell' Arte Ensemble: Mozart, Johann Strauss, Haydn. Sogetsu Hall, Aoyama Ichome. (Tue). (461 2590).

Osaka Philharmonic Orchestra conducted by Asahina Takahashi. *Bruckner. Tokyo Bunka Kaikan* (Tue). (571 1689; 237 9990).

Legal Notices

No. 002653 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
WESTWOOD DAWES plc
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 27th March, 1986 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £907,500 to £760,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL, Room 372, on Monday, 7th July, 1986.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned Solicitors on payment of the regulated charge for the same.

Dated the 23rd day of June, 1986.
WRAGGE & CO.,
of Bank House,
8 Cherry Street,
Birmingham B2 5JY.
(Ref: 25188'001.)
Solicitors for the above-named Company.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday June 27 1986

Austerity is not enough

LAST WEEKEND, the World Bank revealed that it had now become a net absorber of funds from Third World countries—its interest and principal receipts in the past financial year have exceeded its new lending. On Tuesday, the Mexican Finance Minister declared that servicing Mexico's debts "on the terms agreed" was a useless effort and a waste of its foreign exchange reserves. The same day, Japan announced the first fall in its gross national product for more than a decade—a direct consequence of the yen revaluation which has been forced on the Japanese by their internationally unacceptable current account surplus.

What do these disparate developments have in common? An important link emerges from the annual figures on the financial flows from industrialised to developing countries published today by the OECD. The amount of official and private external finance available to Third World countries has fallen, for the fourth year running, to less than 60 per cent of the 1981 level.

The implications for Africa and Latin America are familiar. The debt bomb may now have been defused, in the sense that most international banks have probably built up sufficient capital to survive a default. But as it becomes apparent that no additional resources are in sight for the developing countries—that there are no rewards for countries which co-operate, as Mexico has done to date, with the system—the major debtors' actions are likely to become more unpredictable and disruptive.

Conditional loans

In Africa, the World Bank has pointed out that there are simply not enough investment funds available to maintain the market-opening programmes in recently reformed countries such as Zambia and Ghana. Without more aid, their attempts at reform will fail, just as the universally-praised adjustment efforts of Mexico are failing in the absence of new foreign finance.

As a result, the cause of liberalisation—not only economic, but possibly political as well—will be set back throughout the developing world.

According to the World Bank's latest study on Africa, a minimum of $2.5bn in additional aid will be required annually to give the low income countries of Africa a chance to pull themselves out of their present economic nightmare. Mexico and other middle-income debtor countries will doubtless need much larger sums, but estimating precise requirements is less important at this stage than simply recognising that much more will have to be done.

The World Bank, for example, must move even faster away from its normal type of lending — for which demand is dwindling — to general support for the balance of payments, which is now the biggest constraint on development.

To make this possible, however, something may have to give in the traditional interaction between the Bank and the IMF. In Mexico, for example, there is no point in the World Bank offering to lend more money in support of economic growth, as envisaged by the US administration, if these loans are conditional on IMF targets which are designed to deflate the economy so as to minimise the country's call on foreign credit.

Similarly it is absurd that the whole African economic reform programme should be in danger of foundering for want of $2.5bn in concessional finance at a time when Japan purports to be embarrassed by the surpluses on its current account.

The Japanese Government has set a "medium-term plan" for increasing its development aid. The targets, however, are far too gradualistic and unambitious. As the OECD reports today, Japan's overseas development assistance is still running at only about 0.3 per cent of GNP, compared with 0.5 per cent in Germany and France and more than 0.8 per cent in Scandinavia and the Netherlands.

A doubling of Japan's development assistance would solve the whole African resource problem at a stroke, yet cost Japan less than three weeks' of its current account surplus. There is no economic reason why Japan could not announce such a doubling tomorrow and earn itself enormous international kudos.

A juxtaposition like this underlines the irony of the present economic crisis in many developing countries. Feasible solutions have never seemed closer and the Third World's willingness to reform has never been as great. The most important missing element is the modest flow of resources which is needed to turn the good intentions into acts.

Still a case for nuclear power

TWO MONTHS after the explosion at the Chernobyl nuclear reactor in the USSR, many Western governments are still wondering how to deal with the surge of public opposition to atomic power.

Opposition has been strengthened because the disaster happened when energy prices were generally falling and oil, gas and coal all seemed to be in plentiful supply.

Many people have therefore questioned whether the world really needs nuclear energy on the scale envisaged only a few years ago.

But it is important that the public debate should not become swamped by emotions and fears as a result of the Chernobyl explosion. It demonstrated all too clearly that radiation hazards respect no national boundaries.

However, the growing interdependence of the world economy has meant that the benefits of nuclear power are also dispersed. The advantage which all oil-importing countries are now reaping from low oil prices is at least partly the result of the large nuclear power programmes which were started in the late 1960s and 1970s.

If those power stations did not exist, demand for oil and other fossil fuels would now be much higher, assuming that economic growth could have continued at the same rate.

Similarly, if Sweden abandons nuclear power it will continue to benefit from the nuclear power stations in countries such as France to the extent that they help to cut demand for fossil fuels and hold down prices.

For this reason, Mr Peter Walker, UK Energy Secretary, has shown political courage in choosing this moment to inject an important missing element into the nuclear debate; a perception of the economic penalties which the world would now be suffering in the absence of nuclear power.

The sharp recession which followed the oil shock in 1973 showed how delicately the world's economic well-being was balanced upon security of energy supplies. The large increase in unemployment since then is a reminder of the damage which could yet be done by another energy crisis.

On the other hand, Mr Walker's visions of a nuclear-free world heading for disaster in the next century need to be taken with a pinch of salt.

Predictions when oil reserves will run out have too often been proved wrong in the past by new discoveries. When conventional oil reserves do run dry, the world can turn to oil deposits in shale rock.

It is unlikely therefore that the world will simply run out of fossil fuels, but they will certainly become more expensive.

Conservation projects

In the longer term therefore, the economic advantage of nuclear power is likely to become more and more marked.

In the shorter term, such a country as Britain has to consider whether it would be at a major competitive disadvantage with France if by neglecting the nuclear option it risked pushing up electricity costs to perhaps twice those of its neighbour.

Since many such decisions will be taken by different governments, it is unlikely that Mr Walker's vision of Armageddon will materialise. As energy prices rise, the incentive to build nuclear plants will increase, and if confidence in their safety gradually returns, more will be built.

He is right to draw attention to the future dangers of expensive energy, but for the time being the world appears to have a breathing space. Demand for electricity is rising relatively slowly, while scope for conserving energy is by no means exhausted.

Much more could be done in Britain and elsewhere to ensure that investment plans for new power stations were balanced against feasible and specific conservation projects.

Conservation cannot be a long term alternative to nuclear power but, in the short term, it would be silly to spend money increasing the supply of electricity if the same result could be achieved more cheaply and safely by reducing demand.

LIBERALISING EUROPE'S AIRLINES

The skies begin to clear

By Paul Cheeseright in Brussels

THERE IS a climate of uncertainty in the aviation industry that is no comfortable for anyone, says Marcel Pisters of the Association of European Airlines.

Few in the travel industry would disagree with him or about the widely held view that Monday's meeting of European Community transport ministers will not do anything to alter the situation.

The ministers will be having another peck at the issue of liberalisation and competition among scheduled Community airlines. Both those who favour the maintenance of the status quo and those who plead for a cold dose of marketplace rigour are resigned to more inconclusive discussion.

Yet change, so to speak, is in the air. Not perhaps this year, but maybe next. The issue for airlines now is not whether or not the cosy system of official agreements, route-sharing and profit division should be altered, but how it will be altered.

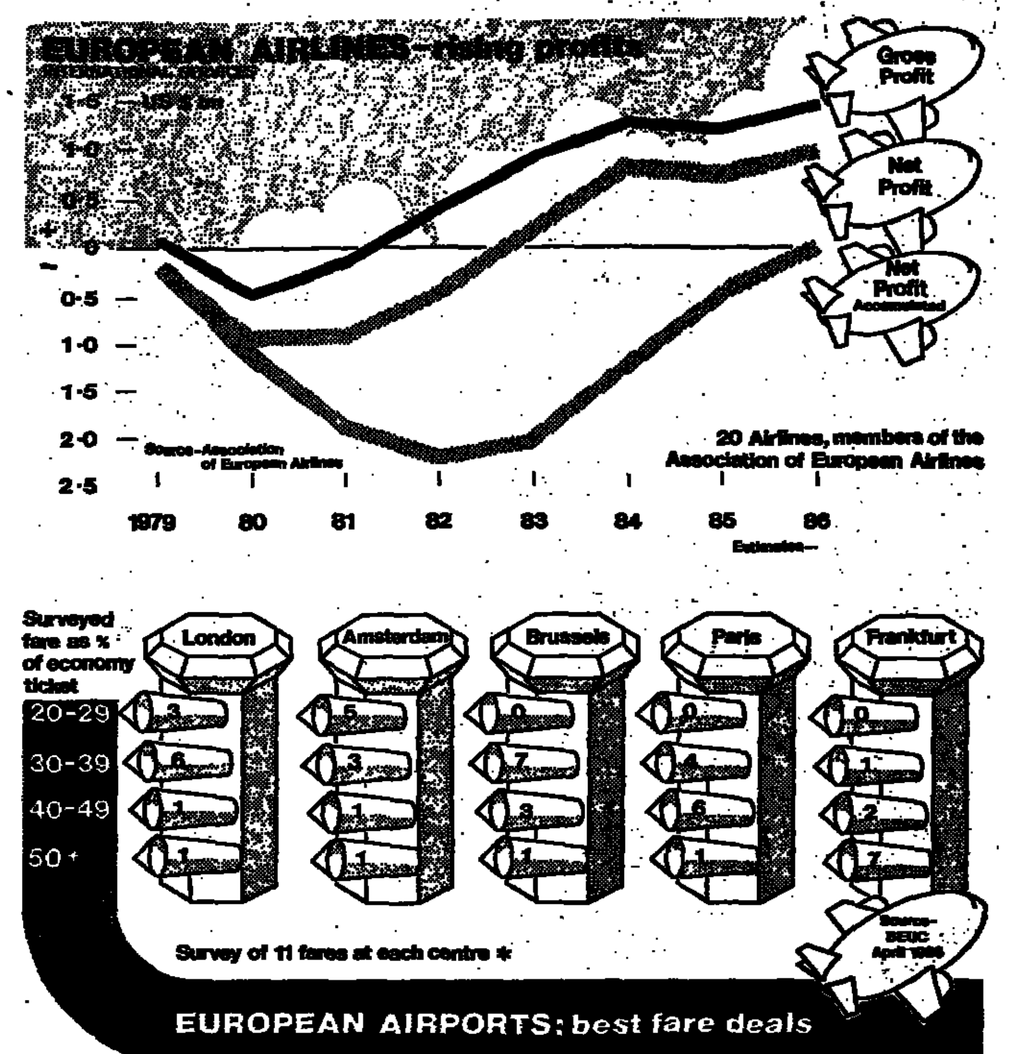
The battle of the "how?" has been engaged. There are now trenches here; it is mobile warfare of the most disorganised type. The European Court of Justice has fired its shots and retired. The European Commission, when not engaged in civil war, has lumbered into position. Transport ministers have been sniping for two years at each other. The scheduled airlines are well-organised and combative. The independent air companies, the consumers and the travel agents are patrolling round the edge of the battle.

The situation on the ground is complex. At the centre is the industry's own control systems developed over a generation. Scheduled airline services are subject to commercial agreements between the airlines and bilateral arrangements between governments. Under this umbrella, airline route networks have been established and have flourished.

But there is another side. The system, according to the Commission, "enables governments to ensure that their airlines do not suffer from the operations of competitors to a degree that they consider unacceptable."

The protection afforded varies but at its most comprehensive in effect ensures that the traffic carried and the revenue earned on services between member states is divided equally between their carriers. It is thus considered normal by them for any advantage which an airline obtains eventually to be eliminated by bilateral negotiations.

Here then is a series of mini-cartels, against which consumer organisations, for example, have been chafing for some years. They and others argue that because the system is sheltered, fares are higher than they need be. Why, they say, is it necessary to pay $413 to go from Nancy to Nice when you can go from Paris to New York for $270. How is it, they ask that on a mileage basis the London-Paris fare is 184 per cent of the London-Athens fare.



* Figures do not add to 11 due to incomplete data

Following a survey of the availability of cheap—discount—fares, the Bureau European des Unions de Consommateurs (the consumers) has drawn a correlation between individual national attempts to relax the system, and access to cheaper travel. Amsterdam and London are cheaper to start a journey from than Brussels or Paris, or especially Frankfurt.

Dispute about fare levels is difficult enough. Comparisons with the US are made often enough but they are not wholly valid. The US is a large single market, Europe is a series of fragmented markets. At the same time, the operations of the European airlines are different in character from those of the Americans. For the European airlines, intra-European traffic accounts on average for only 45 per cent of the operations. Commission studies have shown generally that European air fares are not in most cases "unreasonably related to costs."

Some of these costs — fuel, for example — are outside airline control. But calculations have been made which estimate that the airlines should be able directly to manage 40 per cent of their costs.

At this stage, the nature of the system comes into play again. Those who want to change it argue that co-operation between airlines under the bilateral agreement system leads to inertia, and inertia leads to higher prices and diminished efficiency.

"In the air transport sector the presure on costs is in an upwards direction because the only kind of competition which can exist under the present system consists of competition on services frills, argues Mr Peter Sutherland, the Community's competition commissioners. "This system is designed so that greater efficiency brings few rewards."

Not surprisingly, the European airlines reject this approach, just as they deny the need for radical change in the system. "What it needs is fine tuning, and this is by no means an easy exercise," claims Mr Karl-Heinz Neumeister, secretary general of the Association of European Airlines, which brings together the 20 scheduled carriers. For his, co-operation among airlines is a sine qua non.

"You would be amazed how very disadvantageous it would be to the consumer if the airlines did not work together—you only have to take such basic necessities as inter-lining and co-ordinated flight schedules," he said.

This is the basic issue to which the transport ministers have to address themselves. Here is the field of battle. Co-operation or competition?

Yet that puts the choice too starkly. In the Community, nobody is talking of a free market or of de-regulation American style. What they are debating is a measure of liberalisation and how to manage it.

Moreover, the debate is taking place at a time when there is no option but to do something. Until April 30, it was possible to hide behind a legal smokescreen. But on that day, the European Court of Justice, the highest Court in the Community, decided unequivocally that the airline industry is subject to the competition rules of the Treaty of Rome.

"The following shall be prohibited as incompatible with the common market," says Article 85: "all agreements between undertakings, decision by associations of undertakings and concerted practices which may affect trade between member states and which have as their object or effect the prevention, restriction or distortion of competition within the common market . . ."

All of which neatly encapsulates the present system of airline organisation. The catch is the absence of an agreed regulatory form under which the competition might take place. The complication is the availability of an exemption from the rules for the airlines under conditions which it is the commission's responsibility to set.

Here the Court is very little help. The matter becomes political again and brings into play conflicting economic interests. But threading a way through these interests is something the politicians have pledged to do. They are committed to a free internal market by 1992. So they need to start now.

The Commission's role is crucial for two reasons. First the ministers can only decide on the basis of Commission proposals. Second, there is the legal point that the Commission is guardian of the competition regulations.

The official stance of the Commission on the airline industry is much more liberal than that of the majority of Community countries. The political reality inside the Commission is that half of the 17 commissioners, led by Mr Stanley Clinton Davis, in charge of transport, and supported by those dealing with consumers and Citizens Europe, want to move very slowly.

So it is not clear whether the Commission as a whole has much stomach for the dispute. That will become more apparent after next Monday's ministerial meeting. If there is no progress towards a common air policy, then the Commission is committed to taking action against the airlines for breaches of the competition regulations. But what constitutes progress?

Mr Sutherland, the Community's competition commissioner has his letters of complaint ready to send out to all the scheduled airlines of the Community except those of Spain and Portugal. They would demand changes in working practices as a price for not having the competition rulebook thrown at them. And the changes the Commission would demand are those which are its liberalisation proposals before the transport ministers.

These include freedom for the airlines to set their own economy fares in accordance with their own appreciation of the market and in relation to their costs, as well as freedom to set discount fares — within limits — without official approval.

Among the politicians there is not too much of a problem about greater freedom to set fares. But that is of little account if the airlines do not have also the freedom to increase their capacity.

The general pattern now is that on any given routes airlines will share capacity 50-50. The Commission, egged on by the UK and the Netherlands, wants to ensure that there will be no governmental intervention in a bilateral agreement until the share of one airline falls to 25 per cent, or until it starts to fall rapidly, say, by 5 per cent a year.

Such a change, it is argued, would give a new flexibility to the bilateral agreement system—it would reward innovation. This is not an argument which appeals to countries other than the UK and the Netherlands. There are shades of opinion, of course, with Italy and Greece thought the most conservative.

Over the last fortnight a consensus has been developing around Franco-German proposals permitting for an experimental period a 45-55 split. It will be rejected by the British and Dutch out of hand. There is a recipe for deadlock.

It is because of this that the consumers organisations, for example, believe that the Commission has no choice but to try and force agreement by bringing pressure on the airlines, and hence on the governments because many airlines are state-owned, by going down the legal route.

The Commission may indeed think it in its own interest to do so. Since the European Court judgment it is open to actions against itself for failing to take its responsibilities under the Treaty of Rome. The consumer body, EEUC, is thinking of taking the Commission to court.

Yet, even assuming evaporation of this dispute, the degree of liberalisation secured would be strictly limited. What are missing from Commission proposals dating back to 1984 are ideas on opening up existing routes to new carriers.

For the liberalisers this is the key issue. Opening up the routes to those who want to fly them would provide precisely that element of competition which the bilateral system by definition excludes. The UK wants this as as part of any air transport political package.

Mr Clinton Davis last December promised that the Commission would in early 1986 bring forward proposals. They have never been produced despite urging even from France and Germany and despite the fact that drafts have been available inside the Commission for about eighteen months.

The airlines are now desperate to have all these issues resolved. They want to avoid legal battles with the Commission although they know that they have a certain amount of protection against rapid change both because of the uncertainties in the Commission itself and because of the long drawn-out nature of the legal process.

Their own contribution to the liberalisation debate has been the limited suggestion — too limited for British Airways and British Caledonian — of greater freedom to set discount fares, formalising in fact what practically takes effect.

The airlines are in a better position, however, to accommodate change. The dog years have passed and gross revenues, collectively, topped $20bn for the first time last year, to produce operating profits of $1.2bn. The figures should be higher this year and the latest estimates predict a steady 5.4 per cent growth in European traffic over the next five years.

Men and Matters

People who are making a mark

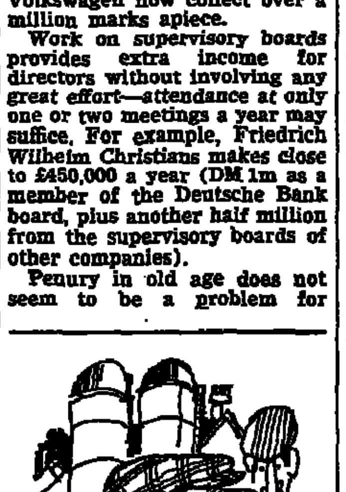
TWO members of the Holy family have just gained fame as the highest paid company directors in Germany. According to an annual survey by the newsweekly Der Spiegel, Jochen and Owe Holy, the two-man board of textile company Boss, paid themselves a total of £1.3m in salary last year receiving another £4.8m in "distributions" as majority shareholders.

Chief executives like Eberhard von Kuenheim of BMW have long been in the Mark millionaire class (earning over £298,500), but an increasing number of rank and file board members are joining that league. Directors at Bayer and Volkswagen now collect over a million marks apiece.

Work on supervisory boards provides extra income for directors without involving any great effort—attendance at only one or two meetings a year may suffice. For example, Friedrich Wilhelm Christians makes close to £450,000 a year (DM 1m as a member of the Deutsche Bank board, plus another half million from the supervisory boards of other companies).

Penury in old age does not seem to be a problem for German directors. Steel company Hoesch is actually paying more to retired directors (£1.67m) than to its present board (£1m). Volkswagen and chemicals company Hoechst each pay their pensioner directors a total of £1.5m, while Dresdner Bank hands out over £2.7m a year to ex-directors and their dependents.

All this is modest by Boris Becker standards, the directors are quick to point out. "In Germany there is a fear of giving outstanding rewards to outstanding individual performers," says a consultant.



"I'm not so much a dairy farmer—more a butter recycler"

High note

The big-boned tenor Luciano Pavarotti, whose depth of voice is matched only by his girth, has played, and slayed, Peking.

Instead of the habitual polite applause and early exit, the audience shouted "bravo" and "molto bene" in Chinese-accented Italian, stamped feet, clapped in time, and generally displayed a rarely seen enthusiasm.

Pavarotti, who took two Italian cooks on the trip to help keep him in shape, responded by learning "xie xie," the Chinese for "thank you," and delivered the line with gusto.

For some Chinese, the first concert on Tuesday night was a good excuse to experiment with the country's market reforms by touting tickets at up to eight times the original price.

Not one for politics, Pavarotti had no particular observations on artistic freedom in China, other than that "I only see smiling faces" and "happiness and laughter."

Just in case the masses did not know how to handle the occasion, the Peking evening newspaper published a guide to audience etiquette, explaining that it was "not necessary for an audience to express its satisfaction or enthusiasm only after an act is over."

Der Tag

Rather late in the day, the West Germans are beginning to cast off a reluctance to enthuse over their football team's progress to the World Cup Final. Until Wednesday's relentless demolition of the French, the success of the soccer team had been a source of embarrassment. Before the tournament started manager Franz Beckenbaeur publicity declared his team was no good.

But now things are changing. The mass circulation Bild Zeiptung has spent most of the last three weeks chronicling misadventures in the German camp — sex parties, factional rivalries and general sedition against Beckenbauer and captain Rummenigge. But yesterday all was forgotten. The newspaper was celebrating with modest headlines only three inches thick, "The Miracle Final."

Bonn is rarely the place to take the throbbing pulse of modern Germany, but even there the natives are stirring. Chancellor Kohl, doubtless with the January elections in mind, is jumping on a plane to be at Mexico's Azteca Stadium for the great event.

The moral of it all is that German football teams are like German companies and their products, stodgy and late into the market, perhaps—but when they get there they take some beating.

ICI's mission

ICI's chairman-elect, Aberdonian Denys Henderson, is starting to look like a man with a mission. ICI products, and the ICI image, must be marketed not just to industrial consumers, but to the public.

Henderson spent some formative years in charge of the group's paint division, which is almost alone in the group in selling branded goods direct to the consumer. The success of the division's advertising—for much of the British public, a certain brand of sheepdog immediately recalls the name Dulux—evidently made a lasting impression.

He has just appointed the marketing manager of ICI's consumer paints business, 44-year-old Anne Ferguson, to a new post as adviser to the group on corporate publicity and marketing.

Her first six mnoths will be spent looking at ways of swapping markeing know-how around the group, and investigating what kind of image ICI should be trying to project around the world.

Besides her marketing experience, Ms Ferguson may have another asset under the new regimé. Back in the early 1960s after an initial year as a marketing trainee with ICI paints she went off for three years to Nigeria as a school teacher.

Henderson, brought up as a child in Sri Lanka, insists that he wants ICI to stay the most international chemical company in the world. Stay-at-homes, it would seem, need not apply.

Home in Rome

It is nice to have home thoughts when abroad. If you are British and in Italy and have to ring the British Embassy in Rome you now get a recording of Land of Hope and Glory. It makes a change from the engaged tone which is boringly predictable in view of Italy's overloaded telephone system.

Final solution

Written on a wall in Cambridge: "Old professors never die. They simply lose their faculties."

Observer

Politics Today

How the fire went out of the parties

By Malcolm Rutherford

THE BRITISH Conservative Party is embarking on a long internal debate about the next election manifesto—the one designed to win a third term. How far should it be radical and how far should it seek simply to consolidate any gains made in the last few years.

The Tory Party is not alone in this dilemma. Nor is the debate confined to Britain. It is common to all the mainstream parties in Western Europe, left, right and centre. The fact is that the fire has gone out of radical politics. The radical right is lacking in new ideas and the left has ceased to be radical. There is a newly emerging consensus that government is about good management; ideology is superfluous.

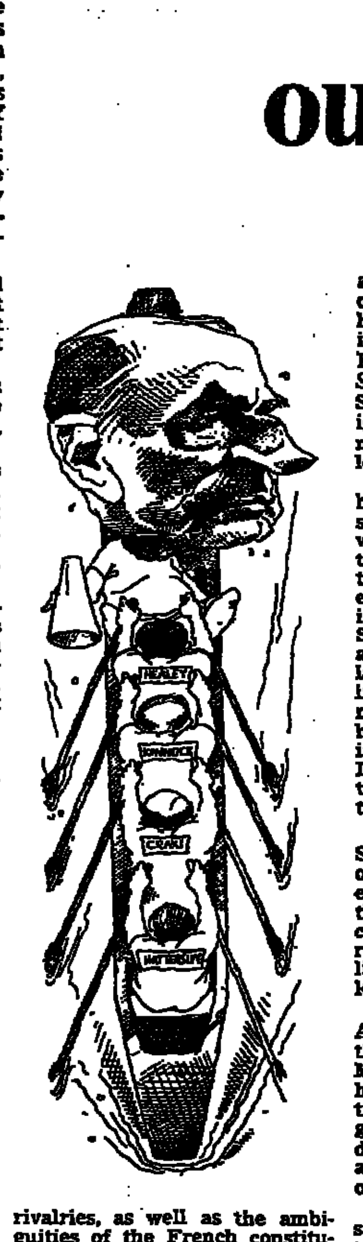
This is not necessarily a bad development, but it ought at least to be recognised that it is taking place in order to get the best out of it.

It is possible to construct a theory that after the turbulence of the past two decades or so, electorates want a quiet life.

There were the student riots in the late 1960s which shaped the young left especially, but not only, on the continent. There was the oil shock of 1973, which slowed down economic growth. There followed what the *Economist* first called "stagflation." In the 1980s, there was the curious acquiescence in high unemployment while inflation was being subdued and public expenditure brought under control. Now is the time to consolidate.

One can see it all over Europe. It does not matter whether the Left or the Right is in power or whether there is some form of coalition; the policies are broadly the same.

In Spain, for example, last Sunday the Socialists were re-elected with a reduced, but still overall, majority. The Government has been pursuing an economic austerity programme. The Spanish unemployment rate is just over 20 per cent. Yet the Government was returned, partly because the opposition parties were divided. There must also have been an element of "safety first." The Spanish Socialists under Mr Felipe Gonzales have ceased to be particularly left-wing.



In France the move away from the left happened earlier. President Mitterrand reversed his more radical programmes of nationalisation and seeking to go it alone economically, shortly after he came to office. In the process he dished the French Communist Party which was originally a coalition partner and now looks like a spent force.

After this year's National Assembly elections there is a Socialist President and a right-wing Prime Minister: cohabitation. Personal and political rivalries, as well as the ambiguities of the French constitution about where power lies, may pull it apart, as the next Presidential election approaches. But in the meantime the combination does not seem to make the French people terribly unhappy.

The Italians have a Socialist Prime Minister in Mr Bettino Craxi. He, too, has been conducting an austerity programme along with the Christian Democrats who are the majority partner. It does not look as if the left is making any great advances. On the contrary, some of the Christian Democrats are happy to serve under Mr Craxi in the hope that the Communist Party will fall into disarray. Since a coalition between the Socialists and the Communists is unlikely—left-wing parties do not always like each other—the left is probably on the retreat.

In West Germany the retreat began some time ago. The conservative Chancellor Kohl keeps winning elections. It is possible to argue that he does so because the left is disintegrating: the emergence of the "greens," for instance, has not helped the Social Democrats. He is also aided by the country's electoral law which allows representation in Parliament to any party winning 5 per cent of the votes and has given quite disproportionate influence to the liberal Free Democrats, at present in coalition with Mr Kohl's conservatives. But that is the way it is.

It is very unlikely that the Social Democrats will win an overall majority in the federal elections next January, despite the fact that they are not even campaigning on an especially radical programme. They would like to be respectable. Chancellor Kohl is more so.

There are other examples. In Austria it is said by those on the spot that the election of Mr Kurt Waldheim as President had nothing to do with a domestic reaction against outside allegations of pro-Nazi activities during the war. It was a vote against the Socialist government of the day.

The small Irish Labour Party says that its wings have been totally clipped by being in coalition with Dr Garret FitzGerald's Fine Gael. It has become associated with economic austerity and wants the freedom of opposition to rethink its approach.

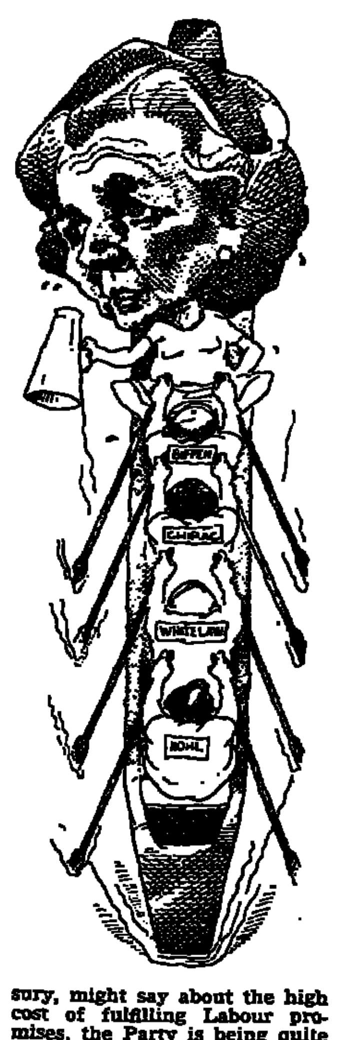
In Norway, Mr Kaare Willoch, who used to be described as the Norwegian Mrs Thatcher, is out and the Left is back. But what has it done? Brought in a new programme of economic austerity.

As should have been demonstrated by now, the party labels do not matter very much. The predominant strand in West European politics is government by the centre-right, even if some of the participants are nominally Socialist.

How does Britain fit into the pattern? The answer is all too well. Since Mrs Thatcher became Prime Minister in 1979, the entire ground of British politics has shifted to the Right. Even the small British Communist Party, though split, acknowledges the shift and is not absolutely opposed to it. The official party has become Euro-Communist, which it never was in the 1970s.

In the bigger league, the formation of the Social Democratic Party has had effects which probably its founding members did not foresee and may not yet have fully appreciated. After 1979, and especially after the general election of 1983, the Labour Party was seen by the Social Democrats as a dying force. It was the SDP-Liberal Alliance that was to be the main challenge to Conservatism.

When he became SDP leader, Dr David Owen actually sought to out-Thatcher the Prime Minister on the social market economy. True, there was more emphasis in his version on the safety-net: toughness and tenderness had to go together. But there was no mistaking the shift to a belief in market forces. Recently he has shown an essentially Tory faith in the need for independent British nuclear weapons.



Yet after 1983, the Labour Party also learned some lessons. It is no longer the anti-market economy, anti-European party of the past. Indeed one would expect Mr Neil Kinnock, the party leader, to make pretty clear at the next Labour Conference that he is almost entirely committed to continuing British membership of the European Community.

The party has learned about organisation, about modern marketing techniques and whatever Mr John MacGregor, the Chief Secretary to the Treasury, might say about the high cost of fulfilling Labour promises, the Party is being quite careful not to promise too much. It might now be possible for Britain to have a Labour Government without immense discontinuity. It could even be a candidate to supply the quiet life, putting the people slowly back to work, filling in the gaps that the Tories have left in the form of bad housing, bad schools and transport bottlenecks. The idea should not be lightly dismissed.

So when it comes to the debate whether to be more radical or to seek to consolidate, the Conservatives have a genuine dilemma. They could campaign on the slogan that Labour has not changed, though it is doubtful how many people would believe it. They can hardly campaign solely on the basis of their record so far, because after seven years it is not self-evidently good enough.

Unemployment is far too high for the Tories' electoral comfort; so is the unease about depressed public spending on health, housing and schools, even if the popular belief is not wholly borne out by the official figures.

That suggests that the party will have to go for a new wave of radicalism. Yet it is remarkable how few ideas are around. Educational vouchers perhaps, but it is doubtful how far it would be a vote-winner and could hardly make an entire electoral programme. Systematic tax reform would be a possibility, though Chancellor Lawson seemed to come down against it this week.

The linking of tax and social security benefits as computerisation takes over ought to be a runner, but is already the property of the Alliance. The extension of popular capitalism is another, but is open to the charge that it will do nothing for those who have not done well out of Mrs Thatcher's administration.

Mr Peter Walker, the Energy Secretary, spoke yesterday of the future of nuclear power, but it is very controversial. Even some Tories do not like it on their doorsteps.

Defence may be different. Because the Labour Party wants to abolish British nuclear weapons and the Alliance is divided on the subject, the Tories may have an asset. But it is still only one issue.

Thus while the left has ceased to be left, the radical right may have run out of steam. Perhaps Mrs Thatcher's main achievement will be to have created a new common ground called, for want of a better term, "centre-right."

Since most of Europe seems to be in much the same position, it is time for another push towards greater European unity. All parties now accept the European dimension. At the same time, they admit that Europe collectively is much weaker than it ought to be.

We should realise how far we have come. The fact that there was a democratic election in Spain, for example, and that Spain is a member of the European Community and Nato is a considerable advance on a decade ago. But it is not far enough. The circumstances are ripe for vastly increased European co-operation. The political parties could help by talking to each other more across frontiers.

Lombard

A lament for old-time banking

By David Lascelles

IN ALL the excitement generated by the Big Bang there is an assumption, seldom questioned, that the whole process is A Good Thing: that the changes will bring greater depth and efficiency to the UK capital markets which will in turn benefit borrowers and investors, and boost the country's economic health.

Yet as any visitor to either West Germany or Japan cannot help noticing, both those have achieved economic miracles with capital markets quite obviously less well-developed than those in either London or New York. By the same token, the supposedly more sophisticated capital markets of the UK and the US have not exactly put them at the top of the international growth league.

The conventional answer to this well-documented paradox is that each country develops a financial system based on its customs: in Germany and Japan the banks traditionally play a bigger role in supplying finance, so the capital markets play a smaller role. In the City and Wall Street it tends to be the other way round.

But it might be true that the UK's market-based system of finance is at least partly responsible for the country's poor economic record, why try to reinforce and develop it further through the Big Bang? Instead of playing up the capital markets side, the more sensible course might be to study the German or Japanese example: encourage banks to expand their traditional lending role, and stifle the markets a little.

Economic record

Against that, both the Germans and the Japanese are currently going to great lengths to do quite the opposite: they want to "liberalise" their capital markets, and in the process they are inevitably downgrading the importance of bank finance, however marginally. Quite why they should be doing this when our economic record is so inferior to theirs is an intriguing question. They have plainly been bitten by the free market bug and have come round to the belief that capital is supplied more efficiently by markets than through intermediaries like banks, or at least by a more equal mixture of the two.

Without going into all the complexities covered by these sweeping statements, the worry must be that in the rush to stimulate markets, the world is losing something by downgrading the traditional role of banks. It is all very well for those fast-talking investment bankers who now dominate the financial scene to talk of the infinite "flexibility" of finance available through swaps and other new-fangled instruments. Historically, the record suggests that by far the most effective form of finance is that created in a close partnership between a company and a good bank which understands its needs and is able to supply them. While markets may be a large and speedy source of funds, they are oblivious to borrowers' needs so long as they remain solvent and pay their interest or dividends on time.

Industrial territories

It might be difficult for the British (and certainly for Americans) to accept the notion of banks going so far as to supply equity finance on a large scale to their corporate customers. Even in Germany and Japan, where this is quite common, it gives rise to frequent controversies over the power of the banks, who end up owning and controlling vast areas of industrial territory. But it has not been debated in the UK as a possible alternative to Big Bang, and is certainly not as lurid a prospect as some of the post-Big Bang scenarios now being contemplated.

Of course, banks will continue to lend as they have before, so their traditional role will live on, even though many of them are actually aiding the shift towards the markets by turning their assets into securities and selling them to investors. But there is little evidence to support the view that Britain will gain by having bigger capital markets. If in the process other forms of finance suffer, it may even have something to lose.

Letters to the Editor

Perspective on South Africa

From the Chairman, Anglo American Corporation

Sir,—The general emotionalism surrounding the South African position doesn't help maintain perspective and the following points may assist to balance your leader on sanctions of June 25.

A main issue is whether apartheid is being expunged from the statute books. This needs to be distinguished quite clearly from the question of what is going to be put in its place. The former is wiping *the slate clean: the latter re*form. As about 96 per cent of the population of the country is in favour of removing institutionalised discrimination based on race, I believe the removal of its remaining elements will follow the significant progress made so far this year. In my view the state President would not have committed himself to this course of action and exposed his right flank if he did not intend to carry through.

But all this is easy compared with the next step, which is negotiation towards a new society and the constitutional structure, which will allow it to operate. Easy conventional democratic solutions will not fall happily into place, dead or dying apartheid notwithstanding. With our highly complex agglomeration of existing and emerging power blocks, I would judge that a proper negotiation would take several years, and if this seems an overlong time, I would judge that simple "quick fix" solutions are unlikely to be effective or permanent or democratic. I doubt that the international community for all its urge for speed really wants that.

Nor should it want to adopt a course of action which has the effect of further inhibiting economic growth in South Africa. No process of negotiation can take place successfully against a backdrop of diminishing wealth and as it is we are severely constrained by our international debt problems. Effective sanctions will guarantee that in the long run we have revolution. Gesture sanctions, while they may assuage all sorts of feelings of rage and frustration or intend admonishment, punishment or retribution, will take the international community onto a slippery slope of action, which may not be controllable and which will certainly contribute to the greater impoverishment of Southern Africa as a whole. Greater dirigism in international commercial affairs, which is what sanctions amount to, is undesirable on any account.

Gavin Relly,
c/o 40 Holborn Viaduct, EC1.

Inheritance tax

From Mr R. Clark

Sir,—The status of potentially exempt transfer is denied by the Finance Bill to gifts to discretionary and interest in possession trusts. Discretionary trusts stand rather on their own and I do not quarrel with that decision; in standing committee Mr Peter Brooke said that the retention of the charge on transfers to interest in possession trusts was necessary to protect the death charge because of the possibility of funds being routed "to a discretionary trust via a temporary interest in possession trust to a man of straw." One sees his point.

What seems totally unjustifiable is the retention of the charge on the release of life interests under existing interest in possession trusts. It is very common for fathers to give or leave property absolutely to their sons but to settle it on their daughters for life with remainder to their children. In such families the son can give his property to his children free of tax, the daughter who has less to give away cannot give away even that which she has, without paying tax, yet when she dies the fund will be taxed as if she owned it absolutely. I cannot see how that discrimination is needed to protect the death charge.

I hope the Government will decide to remove it at the report stage.

R. J. Clark,
Howard Tilly & Co.
1 New Oxford Street, WC1.

Green Belt or inner city

From the Chairman, Liverpool and Merseyside Branch, Institute of Directors

Sir,—There appears to be mounting pressure to build on Green Belt land, particularly around the M25 motorway.

It would be the height of folly for the Government to give in to this pressure by granting planning permission, while there are many millions of sq ft of empty industrial buildings in inner cities.

It is poor utilisation of our resources to allow development on green field sites, which thereafter require infrastructure, such as roads, houses, schools, libraries, services, etc., when this is available and under utilised in inner cities.

Even more important, it is poor utilisation of people: isn't it inevitable that there will be high unemployment in inner cities, while most of the new developments are in, the suburbs and beyond?

It is time the Government tackled the causes and not the symptoms of inner city decline, by putting a freeze on all developments on Green Belt/green-field sites. This would have to be in conjunction with auctioning off the freehold, of all derelict public-utility land, to produce an alternative low cost base to attract investment.

There would need to be a safeguard provision, that if any auctioned land hadn't been developed within, say three *years, the company which sold* the land had the right to buy it back at the same price or market price if lower.

It may appear cheap and convenient to build on green-field sites: but, when one takes into account the cost of adding infrastructure, moving people, plus inner city costs such as unemployment, vandalism and numerous aid measures, "taskforces" and "urban development corporations," it is proving a costly exercise, to say nothing about wasting a scarce resource.

Alan C. Hollway,
42, Grafton Street,
Liverpool, 8.

The increase in M3

From Mr G. Kramers

Sir,—The Eurobond market, until now, has considered itself supranational. Originally known as the Eurodollar market, its *existence* has never been recognised in the US and its activities are not recorded in that country's statistics. Nor are they recorded in the UK statistics so that when money is borrowed through the Eurobond market it is as though the money has been borrowed from abroad and it increases the money supply.

In the autumn the clearing banks obtained fresh "capital" on the Eurobond market and the \$3.5bn of "perpetual floaters" *that they issued* between them were duly recorded as a large increase in the money supply as measured by M3.

In recent months one or two banks have issued more "perpetual floaters." Now free to do so, the building societies have borrowed a lot of money on the Eurobond markets. Many UK companies have also raised large amounts and all these borrowings have increased the *money supply as measured by* M3.

The Press and the analysts employed by firms of stockbrokers all seem to have been taken by surprise by the large increase, in the past three months, in board money as measured my M3.

It would assist us all to interpret the figures if the Bank of England were to extract, month by month, from the figures for M3 the amount of the *increase* that can be directly attributed to borrowings on the Eurobond market.

The UK has only played host to the Eurobond market since its inception but after October 26 as part of Big Bang the UK will embrace the Eurobond market which will then be subject to the Securities and Investments Board.

Surely, the time will then have come for the Bank of England to incorporate the Eurobond market in the UK statistics which it publishes. If not, when the Government borrows money on the Eurobond market — the money supply will be increased as the money will have been borrowed abroad.

G. H. Kramers,
Partingdale Lodge,
Partingdale Lane,
Mill Hill, NW7.

Government provision

From Mr T. Arthur

Sir,—Three cheers for Mr B. H. Fish, who points out (June 23) that Governments do not provide; they allocate resources extracted by force from the taxpayer. All members of government implying anything else should be reported to the Advertising Standards Authority and, if they persist, unfrocked.

A major current example of this deceit lies in employment, where the Government, even this government, is always "providing 50 or 500 jobs in somewhere or other" (with infrastructure the flavour of the year). Since (a) government can spend only what it first extracts (b) virtually the whole of its extraction is levied on voluntary exchanges and (c) voluntary exchanges reduce as taxes rise, it follows that the activity of taxation and government spending is a net destroyer of exchange i.e employment (think of the employment resulting from a tax rate of 100 per cent).

Mr Fish is also right to argue that the constant references to government "provision" largely account for the misconceptions about the functions of government. This is why the most important thing to privatise is education, so that the vested interests of the public sector do not contaminate fundamental attitudes. It is also why such privatisation will never happen on a major scale!

T. G. Arthur,
17 Highfield Road,
Edgbaston, Birmingham.

Pre-occupied with old money

From Mr G. Smith

Sir,—Judging by your pages and by the flood of unsolicited mail seeking to do my accounts, run my portfolio, save me tax, we are too pre-occupied with muscling-in on money already made and insufficiently concerned with making it. I foresee a collapse of the financial advice market!

G. A. D. Smith,
Hanover House,
Sheep St,
Burford, Oxon.

FINANCIAL TIMES
Friday June 27 1986

David Housego assesses the Chirac Government's first 100 days

Cohabitation not easy to live with

MR JACQUES CHIRAC, the French Prime Minister, has been celebrating his first 100 days in office this week with all the damp bravado that goes with a first night that has misfired. Notwithstanding, there is a noticeable confident bounce to his stride.

For if Mr Chirac has emerged with indifferent notices from the first act of France's experiment in "cohabitation," he none the less believes that he is in a strong position to upstage his cohabitee, President François Mitterrand, in the latter part of the drama.

The most tangible sign of Mr Chirac's failure to generate the bandwagon effect that he had hoped for is his slipping popularity in the opinion polls. President Mitterrand's rating, on the other hand, has climbed back close to levels that he achieved in the euphoria of the Socialist victory in 1981.

The wave of confidence that Mr Chirac and his friends believed would follow the right's return to power has not materialised. He is now the victim of disappointed expectations and uncertainty over whether the Government can both survive and succeed.

Mr Chirac has put through many measures, such as denationalisation and the freeing of price and foreign exchange controls, which are needed to help companies and to remove some of the rigidities in the French economy. But other legislation, such as the sale of the TF1 television channel, tougher penalties for terrorists and new incentives for housing construction, has produced an indigestible menu from which Mr Chirac's image has suffered.

At the same time, measures such as the abolition of wealth tax and the easing of redundancy procedures have been unpopular, seemingly pitched towards Mr Chirac's supporters among businessmen and the rich. An aggressively conservative profile will make it harder for him to carry through the painful industrial restructuring needed in the car, shipbuilding and steel sectors.

The advantage of Mr Chirac's high-pressure legislative tactics is that most of his programme will have been pushed through parliament by the end of the summer, thus reducing Mr Mitterrand's ability to lay snares across his path.

Most forecasting institutes share the Government's view that the modest recovery in investment will continue to strengthen. Consumer spending is again rising – even if there is a danger that much of it will be drained off into imports.

The April devaluation of the franc and the recovery in export markets are likely to have their effect next year.

Inflation should continue to decline if the Government remains successful in holding down wage increases.

Together with the recently announced youth employment schemes, this improvement should help contain unemployment and possibly begin to reverse it. Senior Socialists are now beginning to say that they would have trouble fighting an election campaign on the basis of the Government's economic record.

In any case, Mr Mitterrand knows that he cannot afford to be seen to be systematically blocking Mr Chirac's Government. As his close supporters say, he can use his "heavy artillery" once only. With the summer holidays coming up and "cohabitation" still popular in the country, the moment has clearly not yet arrived.

Mr Mitterrand suffers from another major handicap. His strongest card is the threat of his own resignation, which would bring forward the May 1988 presidential elections.

But should Mr Mitterrand resign, his departure would leave all the levers of power in the hands of the right, at least for the three weeks of the presidential campaign, with Mr Chirac as prime minister and Mr Alain Poher, the conservative President of the Senate becoming interim President.

Mr Mitterrand would none the less step down if he saw a real possibility of a left-wing candidate winning. The one serious "open window" for an early presidential election is in the early months of next year. Sooner than that would be seen as failing to give Mr Chirac's Government a fair chance. After the middle of next year, it would be too close to the scheduled date.

Thus all sides are pulling up their sleeves against the eventuality of an election early next year. The Socialists, who meet in convention this weekend are to step up the pressure on the Government in the autumn when the 1987 budget comes before the National Assembly.

Mr Chirac is having increasing difficulty in reconciling his pledges over cutting taxes, public expenditure and the budget deficit. He may well take the easy way out by financing part of the budget cuts from privatisation receipts.

For the Socialists to have a chance of destabilising Mr Chirac, Mr Raymond Barre, the former Prime Minister and a critic of "cohabitation," must break ranks with the Government. With this in mind, the Socialists have been wooing the "centrists" in the parliament, Mr Barre's natural followers. The budget debate could present an opportunity for Mr Barre to add his silence, but if he were to be seen scuttling a right-wing government, it would damage his own chances as a presidential candidate.

On the other hand, if he leaves his bid too late, Mr Barre will leave the field open for Mr Chirac. In part Mr Chirac's confidence at the moment is based on the belief that Mr Barre dare not make his move.

Bull to make 'smart cards' in US

BY PAUL BETTS IN PARIS

BULL, the French computer group, is planning to manufacture its memory-chip "smart cards" in the US at a new facility at Dallas early next year to boost its efforts to become a dominant supplier of chip cards in the US market.

The move, disclosed by Mr Hervé Nora, chief executive of CP8, smart card subsidiary of the state-owned group, comes at a time when Japanese manufacturers are stepping up competition in the emerging US chip card market.

Bull and Casio are already competing in a major test programme by MasterCard, the credit card organisation, which is experimenting with the use of smart card technologies in the US. MasterCard is testing Bull's system in Columbia, and the Casio card in Palm Beach, Florida. Results of the MasterCard tests involving 25,000 card holders in Columbia and 15,000 card holders in Palm Beach are expected in the autumn.

Smart cards are plastic cards containing a microprocessor with built-in information storage capacity. They have a series of revolutionary applications ranging from making cashless payments to electronic pinpointing of individual medical or student records.

In North America, Bull's card is also being tested by health care services, the US Agricultural Department for peanut production and the Royal Bank of Canada. Mr Nora said a number of states were interested in using the card for driving licences.

Bull claims that it is at present the world's only manufacturer of self programmable one-chip microprocessor cards and that it is currently well in the lead over its competitors in this new electronics market. The smart card was originally invented by Mr Roland Moreno, a Frenchman, in 1974 and has slowly come into industrial production in recent years.

Bull's Japanese competitors currently produce cards with two microprocessors which are more costly and less secure than Bull's monochip, Mr Nora says. Philips, however, produces monochip cards under an agreement with Bull.

Although Japanese manufacturers claim that they will soon be marketing monochip cards, Mr Nora warns that they will first have to negotiate with Bull a licence for these cards since the French company owns the patent on the monochip card concept.

Mr Nora says the Japanese are mounting a major marketing campaign in the US and are also trying to play for time to enable them to catch up with Bull's advance in this field. Japanese smart card makers include Casio, Nippon, Mitsubishi, Citizen, Toshiba, Toppan, Kiodo Printing and Fujitsu.

Bull has already set up a marketing subsidiary at Dallas, Micro Card Technologies. Its US operations will now be backed by the new manufacturing facility.

Mr Nora said CP8 had an order backlog of 20m cards, far more than any other card manufacturer. Its biggest single order so far is the supply of 12.5m smart cards for the French banking system between now and the middle of 1989. The order is worth about FFr 320m ($45m). Philips is also supplying the French banking system with 4.5m cards under this programme.

Because of France's advance in this field, Mr Nora says that the West Germans have also tried to stall the market to give themselves time to catch up. Indeed he regretted that the Germans had "not played the European game" in this sector by so far not agreeing to harmonising European standards. Instead of opting for the European standard promoted by Bull, the Germans have so far favoured the Japanese standard, claims Mr Nora.

Behind West Germany's reluctance to agree to European standards is the fact that Siemens is still behind Bull and Philips in the microcard business. At the same time, Germany has tended to opt in the bank credit sector for the Eurocheque system rather than the MasterCard of Visa card systems, which have a clear interest in smart card technology.

Among other recent or upcoming deals, Mr Nora said that in Italy the Venice area was interested in smart card applications for the health service and that Italy was also interested in the Bull card for use as a driving licence. Italian banks have also been experimenting with the card.

Elsewhere, Crédit Européen signed a contract this month to use chip cards in Luxembourg. The contract involves the supply of 30,000 Visa payment cards with an embedded chip.

Bull says that Crédit Européen is the first large financial institution outside France to generalise the use of the Visa chip card. Bull is also negotiating contracts for applications ranging from telecommunications to banking and other services of smart cards in Switzerland, West Germany and Norway, among other markets.

TV reform proposals divide British Cabinet

By Ray Snoddy in London

THE PEACOCK Committee into the financing of British broadcasting has recommended that all 15 regional commercial television franchises should be put up for auction when the next franchise round is due in 1988.

The recommendation has led to serious disagreements between senior Cabinet ministers over how much of the Peacock Committee report on the future financing of British broadcasting should be accepted.

Mr Douglas Hurd, the Home Secretary and the minister responsible for broadcasting policy, told a Cabinet sub-committee on Wednesday that he wanted to reject immediately and publicly the underlying free-market philosophy of the report and several of its specific recommendations.

Mr Hurd is believed to have argued that the auction idea had to be rejected immediately. He is due to make a statement to the House of Commons next Thursday when the report is expected to be published. He is believed to have told Cabinet colleagues that the committee did not appear to have understood the nature of public service broadcasting, had gone beyond its brief and had produced a mixture of incompatible proposals which would offer very little obvious benefit to the public.

If Mr Hurd had gone ahead with his draft announcement it would have amounted, however diplomatically worded, to a stinging rebuke of the work of the committee.

Other Cabinet ministers, however, were more appreciative of the report produced by the committee set up by former Home Secretary, Mr Leon Brittan, and chaired by Prof Alan Peacock of Heriot Watt University.

Mrs Margaret Thatcher, the Prime Minister, is believed to have been initially disappointed that the report was not radical enough but to have had her attention drawn to its long-term implications.

The aim, in a three-phase process, is between now and the end of the century to take British broadcasting completely into the free market so that eventually individual television programmes are bought by the consumer in the way that books are now.

Mr Hurd has now been asked to redraft his proposed Commons statement and tone down the criticism.

In the Peacock Committee's first phase, the BBC would continue to depend on its licence fee as the prime source of funding and would not be required to take advertising on BBC television. In the second phase, depending on the development of technology, whole channels would be encrypted and viewers would buy a channel of programmes at a time as they now buy a collection of articles in a newspaper.

In phase three the consumer would be able to buy individual programmes with a form of "smart card" and free market in programmes would be created and broadcasting "liberated" as books and newspapers once were.

THE LEX COLUMN

Don Giovanni in the fens

Mr Raul Gardini has been picking up sugar-refining capacity in Europe with such promiscuous abandon that it is remarkable that no Leporello has sung of his conquests: a million tonnes in Italy, a million tonnes in France, and in England – if the Monopolies Commission ever permits Ferruzzi ownership of British Sugar – a million and a bit.

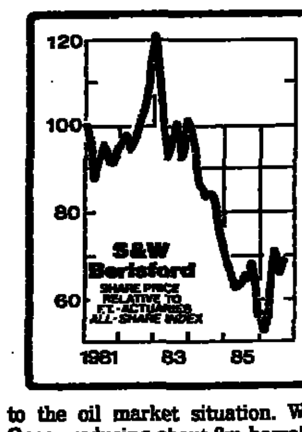
Yesterday's performance in London was full of charm. A bit of waffle about ethanol to keep the UK growers sweet was followed not by the expected bid for British Sugar but by an innocent request for a reference. Feruzzi has correctly recognised that British Sugar has become a national monument and has taken a leaf out of Tate & Lyle's *book in triggering a Monopolies* Commission inquiry. It may have gone a stage further in saving itself the bore and expense of naming a fanciful price let alone of underwriting a cash bid; but, no less than Tate, it is seeking to make respectable a concentration of ownership that would be utterly unacceptable in any other market.

It is hard to know which is most distasteful: the Tate or Ferruzzi projects or the mysterious role of Hillsdown. For sugar users, Ferruzzi ownership is no more preferable to a complete UK monopoly for Tate. With BSC, Ferruzzi would control not only the UK's lowest-cost producer but also, through its overwhelming position in France, the major alternative source of supply. Tate may not be making quite *as little money* on its cane refining as its interim figures suggest, but its structural margin disadvantage would make continued competition with Ferruzzi/BSC a probem.

In truth, too much is being asked of the Monopolies Commission. Any recommendations would have to take account of the European cane-refining margin, Italian accountancy practice, the possibility or not of a buy-out and the intentions of Hillsdown. Even a general plague on bidders will be no guarantee of a solution: Mr Gardini does not seem an impatient man and could still spin a truly Milanese web of holdings round British Sugar.

Oil

The decision of the Opec oil minister to spend yesterday afternoon picnicking on Tito's island retreat was probably the correct response



to the oil market situation. With Opec producing about 2m barrels a day more than required to bring *supply and demand into balance*, what need of words? The only mystery is that forward prices for crude oil are ahead of the spot price, despite all the portents of disaster in the third quarter. Opec meetings do not trouble the London markets much these days: no longer are oil analysts required to attend morning meetings in the gilts department.

In the case of Industrial Scotland Energy the market's intuitions verge on the pyschic. In the past few weeks the shares had doubled to 85p, while the rest of the oil independents stagnated. So an agreed 90p a share cash offer from Texas Gas Resources will not have raised many eyebrows in the City, apart from the quotations department of the stock exchange. The more material *regulatory authority* may turn out to be the Department of Energy, which has not awarded plum licences to small UK oil companies so that they can later be taken over by less favoured foreigners. Although it is highly unlikely that the department would invoke its right not to transfer ISE's UK licences to Texas Gas, it would be less surprising if one or two of the larger UK oil companies were to be asked if they had overlooked the potential in ISE. No such auction is conceivable for Sovereign Oil and Gas. In today's oil market the best stocks disappear, while the worst ask for money from shareholders who know that refusal will do worse than offend.

BPB Industries

Having a monopoly position in its main market – British Plaster Board – has served BPB Industries well, although it has been careful not to abuse the advantage. So it must be delighted to find competition lessening in other areas too. In Western Canada the sale by Genstar of its plant to BPB, which then closed its own, leaves only two manufacturers. While in France, peace seems to have broken out with Lafarge, and, following the removal of price controls, selling discounts have shrunk on higher list prices. Even in the UK glass fibre market Cape Insulation's exit has helped Gyproc back to profit.

That alone would not explain a near 3 percentage point gain in pre-tax margins and a 31 per cent rise in profits to £102.3m in the year to March. Trading conditions have been favourable too, and BPB is *reaping the benefits of heavy capital* spending. Nearly half the UK production of plasterboard is now coming from the East Leake site where gross costs are least. BPB is also enjoying the fall in energy costs. With a 3½ per cent increase in volume, despite a weak start to the year, BFP has no need to raise plasterboard prices at home. In Eastern Canada too BPB is seeing strong demand from both sides of the parallel.

At the same time BPB's finances are ever-strengthening. Net debt of £21m turned into net cash of £10m during the year, despite spending of around £40m. BPB has already spent that cash and looks set to attack the Italian market where old fashioned wet plaster still predominates. This year's profits should top £122m, giving a grudging prospective p/e of 12½ on the shares at 510p up 23p yesterday.

Company gearing

The Bank of England Bulletin, published this morning, contains its regular puzzle section for credit analysts. According to the Bank, the company sector's capital gearing has been rising – yes, rising – steadily since about 1980, despite continued destocking and rising rates of return. The Bank's statisticians report, rather improbably, that net gearing is at its highest since 1975. For readers who have solved this net gearing teaser, there is a supplementary question: why are companies adding to their gross borrow*ings and their cash balances at the* same time? Solvers should note that the Bank has never believed in round-tripping.

EEC dispute on sanctions against Pretoria

Continued from Page 1

monthly get together of the Community leaders. The only other contentious issue is the determination of Mr Andreas Papandreou, the Greek Prime Minister, to raise the subject of relations with Turkey.

Michael Holman in London adds: Sir Shridath Ramphal, the Commonwealth Secretary General, warned yesterday that economic relations between Britain and Commonwealth members could be put "in some jeopardy" if the British Government continued to resist sanctions against South Africa.

Sir Shridath, speaking during a visit to New Delhi, said that events in South Africa put "a very real obligation" on Britain to impose sanctions.

Further fall in financing for developing countries – OECD

BY ANATOLE KALETSKY IN LONDON

THE FLOW of economic resources into developing countries continued to decline in 1985 for the fourth year running, and the industrialised world's official development assistance increased only marginally in real terms, according to a report from the Organisation for Economic Co-operation and Development *(OECD), published today.*

The OECD countries' official development assistance (ODA) in 1985 was $29.6bn, an increase of 1.8 per cent on the previous year's level at constant prices and exchange rates. Contributions to multilateral development institutions declined from $9bn to $7.5bn, largely because of accidental timing of contributions to the International Development Association, the soft-loan arm of the World Bank, the OECD said.

Meanwhile, bilateral aid, which is paid directly to Third World countries, increased by 12 per cent to $22.1bn, reflecting the response of OECD governments to the famine in sub-Saharan Africa. In addition, private voluntary agencies in OECD countries contributed $3.1bn to the Third World. This was an increase of 19 per cent and by far the highest figure ever recorded.

While the OECD's development aid increased, export credits and banking flows continued to decline very sharply. Export credits fell from $5.4bn to $3bn and banking flows from $17.4bn to $13bn. These figures compare with peaks of $18bn and $52bn for export credits and banking flows in 1981.

In addition, aid from Opec countries fell for the fifth year running, from $3.7bn to $2.3bn, and aid from Eastern bloc countries remained roughly unchanged at $3.1bn.

The net result of all these changes was a decline in the developing countries' net resource inflows from $83bn in 1984 to $80bn last year.

The most generous aid donors among the OECD countries remained Norway and the Netherlands.

ODA to GNP ratios in other countries last year were 0.47 per cent for West Germany, 0.34 per cent for the UK, 0.29 per cent for Japan and 0.24 per cent for the US.

Financial Resources for Developing Countries: 1985 and Recent Trends.

Mexicans to meet IMF, Page 4;
Editorial comment, Page 14

ITT in talks on European telecom deal

Continued from Page 1

share of 16 per cent. Although the industrial partners have now agreed on the details of the deal, the AT&T-CGE deal still hinges on French Government approval.

The AT&T deal at this stage is by far the most advanced and only awaits French Government approval. But the Government has been stalling apolitically controversial decision to let AT&T into the French public exchange market and has been looking at other possible solutions involving European or other American manufacturers including Ericsson, Northern Telecom and Siemens.

CGE says that no agreement has yet been *signed* with ITT and that the companies are still discussing the proposals. But if the deal eventually works out, it would create a telecommunications grouping with about 12 per cent of the world market.

However, French industry analysts suggest that the ITT negotiations could also help Mr Pebereau in his efforts to clinch Government approval for his tie-up with AT&T.

"Although the two deals are separate and in some ways complementary, it puts pressure on the Government to make up its mind on at least one of the deals," one analyst said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	26	79	Malta	S	30	86	Rhodes	S	28	82
Algiers	S	39	102	Edinburgh	F	19	66	Manchester	S	24	75	Rio de J'o	C	30	86
Amsterdam	S	24	75	Faro	F	22	72	Manila	S	34	93	Rome	S	29	84
Athens	F	28	82	Florence	S	31	88	Melbourne	C	11	52	Salzburg	S	24	75
Bahrain	S	36	97	Frankfurt	S	26	79	Mexico City	S	23	73	San Francisco	C	18	68
Bangkok	S	33	91	Funchal	C	20	68	Miami	R	30	86	Seoul	S	28	82
Barcelona	F	26	79	Geneva	S	26	79	Milan	S	29	84	Singapore	R	31	88
Beirut	S	28	82	Gibraltar	S	26	79	Montreal	C	16	61	Stockholm	S	29	84
Belfast	C	19	66	Glasgow	F	23	73	Moscow	C	13	55	Strasbourg	S	27	81
Belgrade	F	21	70	Guernsey	F	21	70	Munich	S	23	73	Sydney	F	17	63
Berlin	S	26	79	Helsinki	S	27	81	Nairobi	C	21	70	Taipei	C	33	91
Biarritz	F	26	79	H Kong	R	29	84	Naples	S	32	90	Tangier	F	23	73
Bombay	F	31	88	Innsbruck	S	25	77	Nassau	C	31	88	Tel Aviv	S	29	84
Bordeaux	S	31	88	Inverness	F	21	70	New Delhi	S	32	90	Tenerife	F	24	75
Brussels	S	25	77	Islamabad	C	34	93	New York	C	24	75	Tokyo	C	32	90
Budapest	F	24	75	Istanbul	F	22	72	Nice	S	28	82	Toronto	C	20	68
B. Aires	F	16	61	Jakarta	S	32	90	Nicosia	S	37	99	Tunis	S	31	88
Cairo	S	35	95	Jersey	–	–	–	Oporto	R	18	64	Valencia	S	29	84
Cape Town	S	21	70	Jo'burg	F	19	66	Oslo	S	23	73	Venice	S	26	79
Caracas	C	27	81	Lima	C	18	64	Paris	S	28	82	Vienna	F	24	75
Casablanca	S	23	73	Lisbon	C	20	68	Peking	S	26	79	Warsaw	F	22	72
Chicago	C	25	77	London	S	25	77	Prague	S	24	75	Washington	–	–	–
Cologne	S	26	79	Los Angeles	C	27	81	Reykjavik	F	13	55	Zurich	S	25	77
Copenhagen	S	22	72	Luxembourg	S	25	77								
Corfu	S	30	86	Madrid	S	30	86								
Dallas	–	–	–	Majorca	S	34	93								
Dublin	F	19	66	Malaga	S	27	81								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

US may cut forecast

Continued from Page 1

er the Senate nor the House prepared to meet President Ronald Reagan's pentagon request for $320bn but unable hitherto to agree whether defence spending authorisations should be set at $301bn as the Senate wants or $285bn as the House believes.

In the small hours of yesterday budget committee leaders reportedly settled on a figure of $293bn but with a provision that it could rise to $299bn if, for example, additional revenues were raised. It was uncertain, however, whether the conference committee would accept this compromise.

To do so would allow congress to approve a budget resolution which meets the Gramm-Rudman-Hollings budget reform law deficit target for 1987 of $144bn. While the target would be met, many private economists maintain that this would be achieved by creative accounting.

On Wall street, the Administration's largest deficit forecast of $203bn for 1986 being dismissed as unattainable – figures of between $210bn and $220bn are being talked about. That, too, increases the scepticism surrounding the calculations on which the budget resolution appears to be based.

SECTION III

FINANCIAL TIMES SURVEY

Software Packages for Business

The Western European market for packaged software is already worth over $5bn a year, but with an annual growth rate of as much as 30 per cent it could reach $24bn by 1991.

A thriving market

By ALAN CANE

THE COMPUTER software packages industry is flourishing, and its growth is the proof that businesses will bend to accommodate "alien" ways of working, no matter how unique they believe themselves to be. If, that is, the economics are right.

When computers were large, cumbersome and expensive and therefore used only by the larger corporations, those companies had software written to suit their every little quirk.

As a method of developing business software, it resulted in satisfied customers (eventually), but at a high cost both in cash and time.

As the cost of hardware fell with the introduction of minicomputers — cheaper, simpler but with many of the capabilities of mainframes—it became obvious that the economics of software production would have to change.

The mini itself might cost £100,000 or less; a custom-built program suite of some complexity might easily cost the same.

So there was an irresistible logic in creating generalised software programs which could be applied to a number of different companies for tasks such as payroll, accounts receivable and so on with only a minimum of alteration to suit the quirks of the individual company.

With the introduction of the low-cost business microcomputer, the package came into its own. There was simply no logic in spending $10,000 to have written a specific piece of software when, produced as a package and sold to hundreds of customers, the same software might cost only $500.

Today, three categories of software package are generally distinguished.

First, systems and utilities. These packages include operating systems (the complex programs which direct the internal workings of a computer and determine its relationship with the outside world) and compilers and assemblers (programs which translate between high level or English-like languages understood by programmers and the stark patterns of pulses of electricity understood by the computer).

Second, applictions, tools, software. This includes all those programs which make it possible for the computer to handle applications effectively —data management software, for example.

Third, application software, programs which carry out the task—or one of the tasks—for which the customer bought the computer.

Packages of all three kinds are built by hardware manufacturers, by systems houses and by software houses. They are built for all sizes of machines. A major financial package for a big company written by, say, Management Science America or McCormack and Dodge to run on a mainframe, might cost $100,000.

A package written to run on the IBM Personal Computer or one of its "clones" (designed and built by another manufacturer to run the same programs as the IBM original) will almost certainly cost less than $500.

In Western Europe, figures from the consultancy International Data Corporation suggest that the market for packaged software was $5.2bn in 1985 and that it will grow by between 28 and 30 per cent every year up to 1991 when its total value will be $24bn.

But although packaged software is clearly one of the computing services business's strong points, there are local anomalies.

Dr Douglas Eyeions, director general of the European Computing Services Association, reviewing UK market characteristics notes in a recent survey*: "Hardware manufacturers increased their market share chiefly by large increases in sales of packaged software from $449m to $601m, an increase of $152m or 34 per cent during the year.

"In contrast, systems houses increased their revenues from packed software by only $34m during the year. Changes from long term licensing to outright sales of software products during the year may have caused some misleading distortion of growth rates in this sector for the hardware manufacturers and there is no doubt that the overall growth rate for packaged software is lower than the very high growth rate of 37 per cent reported in 1984".

According to Ms Kate Brown, software industry specialists of the International Data Corporation, three themes will dominate the package business this year—site licensing, multi-user packages and micro-mainframe links.

● **Site licensing:** The computer business, in common perhaps only with the video and audio tape industry, is curious in that it provides its customers with the means of copying, illegally, its products. The high flying package companies such as Lotus, author of 1-2-3 and Micro-Soft, originator of the MS/DOS operating system, had been losing heavily through unauthorised copying of their programs.

Furthermore, with the development of networking, it becomes simple to move a program from one machine on one site to other machines on other sites.

There have been attempts to develop hardware and software gadgets (dongles) to beat the pirates, but none of these have achieved overwhelming success so far.

Software authors have therefore decided to cut their losses by controlling the amount of copying that can be carried out through site licences with the incentive of a volume discount on multiple copies of the product.

● **Multi-user packages:** the trend among the bigger microcomputer users is towards multi-user machines, single microcomputers which support a number of users each working at a separate keyboard and screen.

Single user software is not the most efficient for these machines and the development of sophisticated software which will make the most of the power of a multi-user microcomputer is expected to be a major growth area in the coming months.

● **Micro-mainframe link software:** It is comparatively easy to attach a microcomputer to a mainframe, but considerably more difficult to make it carry out any useful tasks.

The problem is that the information stored in the mainframe is highly organised in a fashion which is often incomprehensible to the micro. The two machines are organised differently and the codes they use to ask for, or send, information are quite different.

Micro to mainframe links do exist but most have quite strong constraints on their use. So software developers are working towards a package which could truly be described as a universal link.

Other trends include moves to drive down the cost of standard packages by cutting out frills, bells and whistles.

Companies such as Borland International in the US, for example, have prospered by selling functional software at very low prices, $100 or less.

Finally, there is a trend towards "internationalising" packages. US systems and application tool software has always done well in Europe because it is independent of local custom and practice.

Accounting and other packages which have to observe local legal and other constraints to the letter have had to be re-written at high cost.

Moves to make internationalisation easier and less expensive are expected to be a major feature of the package software business in the coming months.

Western European Market Forecast

● The packaged software market by country with values in $m

Country	1985	% share	1991	% share
West Germany	1,157	22	5,492	23
France	860	16	3,769	16
UK	1,142	22	4,769	20
Italy	579	11	2,706	11
Western Europe	5,224		24,117	

Source: IDC

CONTENTS

Operating Systems

Microcomputer users have freedom of choice

OPERATING SYSTEMS for microcomputers constitute an important and highly technical subject.

Such systems work, between the user application and the microcomputer, providing services that are common to all applications. They are comparable with the gearbox in a car. Most drivers are not familiar with the workings of gearboxes, nor are they interested. They want to be able to get into the driving seat, start the engine and go.

Unfortunately, even the most casual of microcomputer user has to be aware of the workings of operating systems because of the way the industry has developed. Manufacturers of larger computer systems provide their own operating systems with their computers.

This makes it much easier for the operating system to be hidden from the user because the complete system comes from a single source.

Microcomputers originated in the semiconductor industry and operating systems are supplied by third-party software makers, not the "chip" manufacturers. This means that the microcomputer user is free to choose the operating system.

But it also means that applications software must be made for a specific operating system, so users have to know which system is being employed on their microcomputers and whether the application they want to use will work with it.

When IBM launched its personal computer in 1981 it gave users a choice of three different operating systems:

- Digital Research's CP/M, a well established operating system for earlier microcomputers with a wide range of applications already existing for it.
- Microsoft's MS/DOS, a new system specifically developed for the IBM.
- The UCSD system, developed by the University of California, San Diego, for academic users.

Microsoft's MS/DOS was the model for PC/DOS, IBM's "own" operating system for its personal computer and quickly emerged as the preferred choice. Third-party software suppliers built their applications to work with MS/DOS and IBM PC "clone" builders, such as Compaq and Olivetti, adopted it for their personal computers. MS/DOS is now firmly established with over 4m users worldwide.

In a perfect world, microcomputer users would be able to forget about operating systems and get on with what they bought their computers for in the first place. The problem is that hardware technology continues to change and users demand still more from their systems.

"MS/DOS is a market standard and users have been able to ignore it and the issue of operating systems," says Mr Paul Bailey, European vice-president of Digital Research, Microsoft's chief rival in the operating system world.

"But there are reasons why that is changing. Users want more memory and there is a limit to what MS/DOS can offer. And there are new applications, especially in the graphics area, where the current version of MS/DOS is not adequate," Mr Bailey adds.

When the first IBM personal computers came out the memory facility was much smaller than now. An average system would have about 256,000 characters. The current version of MS/DOS can control up to 640,000 characters, which might seem more than enough. But, as Mr Bailey points out, personal computer users want better screen resolution, higher performance and the ability to use several different programs at once.

All of these features need large amounts of memory and 640,000 characters is just not enough. Furthermore, leading software developers such as Lotus and Ashton-Tate want to extend their applications software to include new features that need large memory sizes.

Lotus has found a temporary solution by developing a memory extension standard with Intel, the main chip-maker for personal computers. By using an "add-on" board, Lotus 1-2-3 users can work with much larger spreadsheets.

Although these extension boards, manufactured by Intel, AST and, more recently, Quadram, allow greater memory sizes for data, they will not allow larger programs. Users still cannot enjoy the benefits of running more than one program at once (multi-tasking) nor can they expect improvements in graphics and screen resolution.

While users are expecting better performance from their microcomputers, chip technology is improving to allow this. The current "standard" chip used in IBM personal computers is the Intel 80286.

This chip is capable of controlling up to 16m characters of memory. But MS/DOS is still limited to 640,000 characters. The combination of user demand for better features and the advances in chip technology has led to speculation over the future of MS/DOS's role as the standard personal computer operating system. Microsoft's competitors are keen to exploit this and a lively debate on operating systems is the result.

Digital Research, for example, has scored a couple of points over Microsoft with prestigious deals with IBM and ICL. Its Concurrent DOS operating system, which offers the benefits of MS/DOS without the memory limitations, has been chosen for several new products announced by these manufacturers.

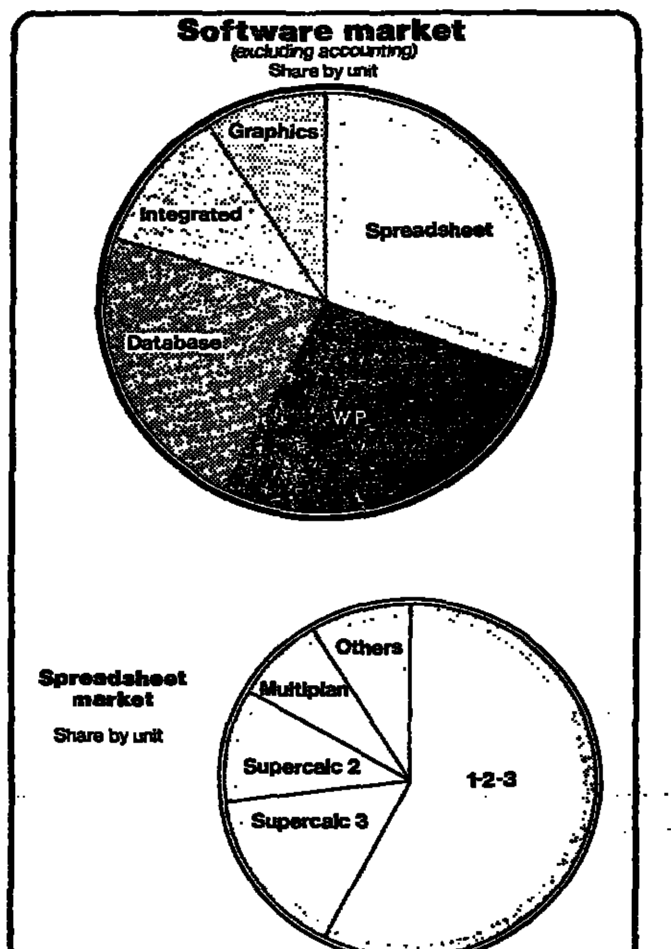
Rival operating systems have also emerged, including AT&T's Unix and the Pick. These systems are designed for larger computers and are unlikely to effect the large MS/DOS user base.

Although Microsoft does not face any immediate danger, these factors are putting pressure on it to upgrade MS/DOS. A new version, MS/DOS 5, is on the way and it is expected to resolve the memory limitations in addition to offering multi-tasking features.

"We are putting a lot of work into MS/DOS 5 and, together with our Windows product, this should go a long way to meeting people's needs," says Mr Phil Sutcliffe of Microsoft.

"I think that there is still a lot of mileage in the current version of MS/DOS and people have not really got started with what is available now," he adds.

Philip Manchester



Software product category forecast

● The software and services market in Western Europe by product category in $m

	Packaged software	% share	Custom software/ consultancy	% share	Training/ FM	% share	Processing services	% share	Total
1985	5,224	34	4,356	29	778	5	4,807	32	15,165
1988	11,481	43	7,838	29	1,395	5	6,262	23	26,976
1991	24,117	50	13,754	28	2,498	5	7,948	16	48,317

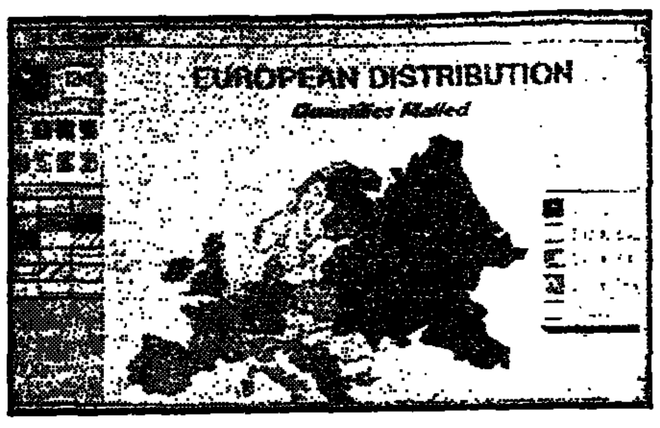
Source: IDC

Market shares

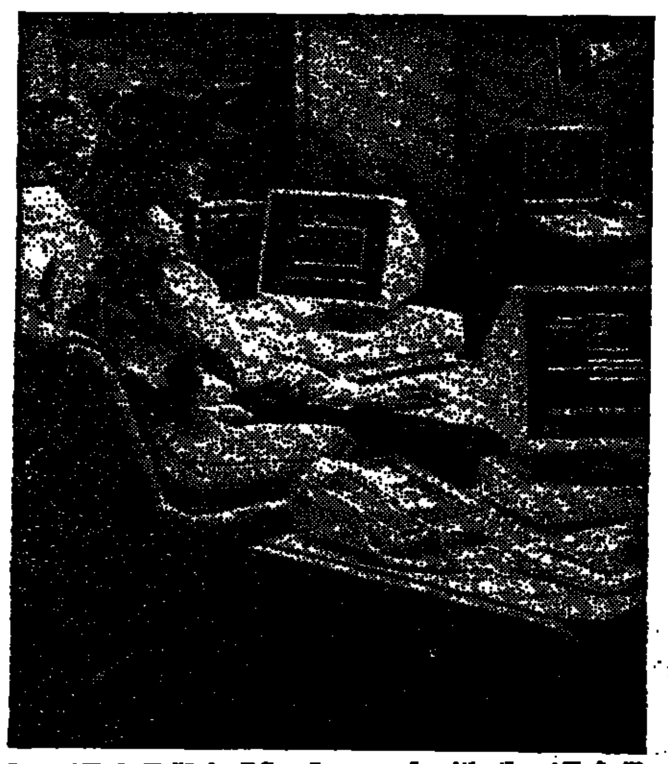
● Sales through dealers during the first quarter of this year

● Software market	%
Spreadsheet	30
Word processing	28
Database	22
Integrated	11
Graphics	9
● Spreadsheet	
1-2-3	58
Supercalc 3	15
Supercalc 2	10
Multiplan	8
Others	9
● Integrated	38
Symphony	38
Framework	17
Smart	13
Others	32

Source: Romtec, Lotus



GEM Graph, a microcomputer applications package from Digital Research, can create a variety of graphs and charts from spreadsheet data at the touch of a button.



The AT & T Unix PC, when used with the AT & T 610 business communications terminal (front and rear) is the heart of an efficient multi-user system.

Expert Systems

Forum on artificial intelligence

THIS WEEK about 50,000 people assembled at one of the largest conferences ever held to discuss artificial intelligence. About 40,000 delegates from the US and 10,000 from Europe were linked by satellite for what was described as the first Transatlantic Satellite Symposium.

Sponsored by the US chip maker Texas Instruments, it links up artificial intelligence researchers on both sides of the Atlantic. Speakers include Ed Feigenbaum, from Stanford University, John McDermott, from the Carnegie Group, and Harry Tennant, of Texas Instruments.

The formidable list of speakers and the sheer size of the event should indicate the importance now attached to artificial intelligence. Expert systems will be high on the agenda. The notion of capturing the human skills and knowledge in a computer system, turning it into a set of rules and presenting it to non-experts is an attractive one.

Expert systems is the first branch of artificial intelligence research to yield practical results and next week's conference will include reports of systems in practice. It is a rare occasion because companies are generally tight-lipped about what they are doing with expert systems.

"We have four or five clients developing systems. But they are all reluctant to talk about what they are doing. That is the nature of the expert systems business," says Mr Bernard Dodwell, sales manager of ISI, an expert systems software company part-owned by ICL. "We can talk in general terms about the problem they are trying to solve, but not in detail."

ISI sells an expert systems "shell" called Savoir. A "shell" is a basic piece of software that can be developed into an expert system's application. It is a special method of programming and one of a long list of products aimed at helping expert systems development.

Savoir is being used by an insurance company to develop a system that will assess insurance risks and instruct brokers about reinsurance. Several banks are also using Savoir for undefined projects, according to Mr Dodwell. "But there are very few applications around in the financial world so far," he adds.

Over the past two years there has been a boom in development tools like Savoir, ranging from proprietary "shells" to standard programming language compilers designed for artificial intelligence applications. This boom suggests that a lot of development activity is taking place.

Texas Instruments held a European-based satellite conference on artificial intelligence last November, when it surveyed the delegates to measure how much development activity there is. From 3,000 replies it found that 47 per cent of the delegates, from across industry and commerce, intended to spend money soon on artificial intelligence developments.

Expert systems have thus moved out of the research laboratory and into the real world.

The big commercial computer manufacturers declared their commitment to artificial intelligence and expert systems last summer when large numbers of products were announced. Xerox, Hewlett Packard, Tektronix, DEC, Data General, Texas Instruments, Acorn and Commodore all launched Lisp language compilers to work with their computers last year.

Testing facilities at an IBM factory. The company has announced an expert system designed for its important mainframe customers.

Lisp is the favoured language in the US for building artificial intelligence applications and a requirement for US Department of Defence projects in artificial intelligence. Such projects figure strongly in the computer part of the Strategic Defence Initiative research effort by the US military.

IBM also put its first artificial intelligence products on to the market last summer. Its commitment to new directions, by announcing products, often becomes a reference point in the future. Its move into the business computer market in the early 1960s with the announcement of the IBM 360, its announcement of the IBM personal computer in 1981 and the recent move into local area networking.

In the past year IBM has made significant expert system product announcements, suggesting that this area of development is set to expand. These announcements culminated in April this year when IBM announced an expert system designed for its important mainframe customers.

The Texas Instruments conference next week is intended to meet the increasing demand for information about expert systems. "The market is hungry for information," says Mr Steve Thomas, Texas Instruments' marketing manager in the UK. "There is still not enough awareness of the capabilities and limitations of expert systems," he adds. "A lot of the talk about expert systems concerns futures and it has been seen as a panacea for the problems of using computers."

The reluctance of developers to reveal the results of their work is not helping the process of demystification and Mr Thomas agrees with Mr Dodwell that people are keeping quiet about developments.

"There is no doubt that you can gain leverage in the market through use of expert systems, so people do not want their competitors to see what they are doing," says Mr Thomas.

So far, expert systems have been applied to scientific and technical disciplines such as the evaluation of chemical structures with Dendral and medical diagnosis with Mycin. Dendral and Mycin are the two best-known expert systems to have been proved in practice.

There has also been progress in applying expert systems in the computer industry itself and manufacturers are using them to help fault diagnosis in computer systems. Texas Instruments, for example, uses an expert system for finding faults in circuit boards and one of ISI's clients in the insurance business is using an expert system to help to find faults in a computer network. DEC has been using an expert system to help configure its computer systems for some years.

These applications are relatively easy to build because in every case there is a strong body of formal knowledge. So the rules needed to define the "expertise" were well-established. Examples of expert systems in use in commerce, where the knowledge needed to build a system is not so well-defined, are still rare, however.

Perhaps the most significant recent development has been the inclusion of artificial intelligence techniques in popular software products. Ansa Software's Paradox database and the Q and A database from Symantec are two products aimed at the personal computer software market which have adopted this approach.

These two products, both developed in the US, have used artificial intelligence ideas to help make them easier to use. Symantec, for example, has built a "natural" language front-end to its database product.

The large number of personal computers now in use promises to be a strong market for these products. It is also the area where people are likely to get their first glimpse of expert systems in practice.

Philip Manchester

The author is editor of Fintech Software Markets.

Market growth in Western Europe

● The packaged software sector by software type: figures in $m

	1985	Average annual growth %	1988	Average annual growth %	1991
System/Utilities	1,731	28	3,503	23	6,577
Application tools	1,514	35	3,732	32	8,623
Application solutions	1,979	28	4,246	28	8,917
TOTAL	5,224	30	11,481	28	24,117

Source: IDC

Prototyping tools tend to be large and sophisticated programs which make it possible to customise packages for the most demanding of users and also maintain a degree of flexibility after installation.

Way to cut short the paper chase

IN LATE 1981 a previously unknown company called DJ-AI arrived on the scene with a microcomputer program called "The Last One," or "TLO."

The company claimed that it was the last program one would ever need to buy, a claim the computer industry and press promptly scorned.

TLO has all but faded into obscurity now but it had a promising future at the time as an applications generator of Basic programs. Users could easily set up files and screen forms on their micro and run complete little business systems.

Had DJ-AI been a bit more modest in its claim, some of the credible stories it had to tell might have been listened to. One plausible story was about a large company which was using TLO as a prototyping system to show on a microcomputer what the system might eventually look like in practice on a mainframe computer system.

If end-users were not happy about what they say, data-processing staff could go away and make the necessary modifications before committing the time and expense of developing full-blown mainframe system.

Working system

The attraction of prototyping is that it does away with the old-fashioned and laborious business of drawing up paper specifications with all the misunderstandings which can result, and it allows DP staff to get down to developing a working system without delay.

If the system does not do what the user wants the programmer makes the necessary modifications again and again until the system works to requirements.

Although prototyping is now almost as common a computer industry buzzword as "fourth generation languages" (4GLs), the TLO case cited above was one of the early forerunners of prototyping.

When the DP staff had a more precise model of what the user wanted, they could set about doing the necessary coding in Cobol, or any other language, to set up the appropriate files and screen forms.

More sophisticated

Prototyping is now much more sophisticated but nobody is quite certain what it means. In engineering terms a prototype of a motor car, for example, is a vehicle put together with non-standard parts before the go-ahead to build it as a production model is given.

Some car prototypes are no more than beautiful but impractical artists' dreams which never go into production, while others are real engineers' ugly ducklings which may end up as unexciting production cars that make more economic sense.

Similarly with computer systems: if a programmer insists on lots of graphics tools and icon generators, and shows little interest in third normal forms or query processing, it may be time to fire him or her or move him or her to the marketing department.

The final objective of prototyping is to build a permanent application, and even though the nature of that application may be constantly changing it should be easy to maintain and update.

Boris Sedacca

Prototyping

Getting it right before deciding

A PROGRAMMER'S definition of a user might be: "someone who never knows what he wants until he's got something, and then wants something different." A user's definition of a programmer might equally be: "Someone to whom you explain in great detail exactly what you want and who then goes away and comes back months later with something totally different."

It is the things people don't tell one another that often turn out to be important. The gap between the user and the provider of software is something which is slowly closing. Prototyping of applications is one agent in the process, because it makes it possible to present users with a "mock up" of an application and the way it works before anyone commits time or money to the project.

DP departments were often accused of being insular, and arrogantly so, about the commercial needs of a parent company and far removed from its day-to-day business. That is no longer so true, especially as DP departments move towards being profit centres rather than cost centres, whose contribution to a company's information flow can have a fundamental effect on cash flow, profit, and strategy.

There is a new breed of "information resources manager" whose brief is much larger than running the payroll. Fast reaction to users' needs is the crucial test. An important part of the DP armoury is the new wave of applications generators and so-called "fourth-generation languages."

These prototyping tools are advanced programming aids which automate some of the more tedious tasks associated with programming. Every programmer has individual tricks and styles, but a lot of software production is repetitive and relatively unskilled. The really skilled part of the job is the analysis and planning, but it's the coding, testing and debugging that takes time.

Prototyping tools speed up the execution of a program so that users can see something on the screen and judge it for themselves before things have gone too far. They involve little, if any, coding effort, though some "hand-tooled" code sometimes has to be added where a generator can't cope with a complex function.

For the first time since packages became the only economic choice for the majority of users, they offer the possibility of supplying customised software to the customer's own specification, at the same price and with the availability of a package.

"The screen" is what most people think about first. In fact it is a reflection of a much more crucial process: the definition of data. Nearly every applications generator deals with the fundamental tasks of setting up a file, and defining the general "shape" of data.

First, someone who knows a lot about the application must work out exactly what data items (usually called "fields" in programming) are needed, and decide such details as how much space to leave for each invoice number, the maximum length of customer names, and how to structure product codes.

These are the individual elements into which a programmer needs to break down a user's problem such as adjusting a report to show sales per product per area instead of lumping everything together.

In the days when every line of Cobol or Basic code had to be written from scratch, it might take several hours to set up a prompt somewhere on the screen for data entry, accept the keyboard entry and validate it against the prescribed data definition.

A prototyping tool will do such work automatically once the data is defined, allowing a programmer to move prompts around the screen at will.

Data definition

The data definition is the sorce of most jobs. Any prototyping pool should handle the fundamental tasks of setting up data entry screens, entering the data, and allowing the user to get the information out again organised as he or she wants it.

Most such applications generators or development languages are associated with a database. This means that the data is kept centrally so that a change to one field, such as a customer number, will automatically reflect throughout the system and take effect wherever it is referenced.

This sort of flexibility is vital, because the actual creation of a piece of software, however, carefully custom-built, is only the beginning of a long relationship. It is not just a matter of installing a piece of software, and pressing the button. Needs change, applications grow, get amended, rewritten, or super-coded, a process referred to as the "life cycle" of a piece of software. Prototyping is not just for meeting immediate needs. It is about fitting in with past methods and providing for new developments.

One snag with prototyping tools is that they tend to presume one is starting with a clean sheet, which is almost certainly not so in a large DP installation. Another is that they are, at the top of the market, closely tied to a specific hardware or database environment.

The applications they produce may not be able to travel to another system without the support of the prototyping tool. In the last few years manufacturers have been anxious to provide such tools in response to users' pressing demands for more services, more closely fitted to individual needs.

For some manufacturers the prototyping software is the "extra ingredient" which is used as a lure to new customers. Sperry's Mapper, ICL's Quick-build and Burroughs' LINC II all come into this category. Each is excellent in its own way, and they all facilitate the flow of information between the user, and the programmer. Unfortunately, the applications they produce cannot be moved outside their direct environment.

Independent suppliers tend to be geared towards more portability. The main problem is in providing the customer with a ramp from old systems and databases on to the new. Some of the most thoroughly engineered prototyping tools for the large-machine environment (such as Cincom's Mantis) take this into account, and allow users to access "old" data structures as well as setting up new ones.

Others go further in producing applications which will travel from one system to another. Usually these work with a specific environment such as the Unix or Pick operating system, or on a proprietary database. Examples include Bbj's Today, and Software Express's Appgen, both on Unix and Aston Technology's System Builder running on the Pick database environment.

Pro Computer Sciences of Cambridge has an adaptable language, Pro IV, which works on a great variety of machines with different operating systems. Over the 10 years of Pro IV's evolution the company has developed some stringent rules about what does, and does not, qualify as a fully-fledged "fourth generation language."

"4GL" is an ill-defined but popular term for high-level fast-development tools aimed at improving programmers' productivity, now used by suppliers to describe almost any new product.

PCS rules out anything which does not increase programmer productivity tenfold. It does not count products which are simply a set of individual "go-faster" programming tools cobbled together, nor those which only do elementary tasks (such as setting up data-entry screens and reports) without dealing with complex code tasks. The company also discounts anything which runs only a PC, since to be effective with a mainframe there must be access to a fully-fledged database.

One of the main principles espoused by Pro IV (and most good prototyping tools) is the central data dictionary. This means that a set of applications can be "integrated," passing information between one another. In the best tools (including Pro IV. the Cortex's Applications Factory) it also eases maintenance and the inevitable alterations and updates, because a change made to one data definition should automatically reflect throughout the system wherever the field is used.

For example, if a field length is changed, the screen prompt for that field are adjusted too. Any product which needs such changes to be made explicitly, or which needs to rebuild the database or recompile the code for a change, fails by that standard. Other limitations are the use of a secondary database into which all data has to be entered.

Other charges often made against such languages are that they are inefficient in the code they produce, and sometimes need more hardware. Some prototyping tools have a compilation facility, which means that the users can play around with the design until they are satisfied, and only then compile the code, which performs faster as a result.

Often there are specialised demands which simply cannot be automated. The more flexible generators allow the addition of "hand-written" code, and can also interface with independent applications.

A serious criticism of prototyping tools is that they simply allow programmers to produce a greater quantity of shoddy programs at high speed. Few prototyping tools include the vital "flowcharting" stage of logic and data planning among their design tools. ICL's Quickbuild and Cortex's Applications Factory are two shining exceptions, but sadly they are limited to specific ICL and DEC machines. Arthur Young has just introduced James Martin's Information Engineering Workbench, which does a similar job in the IBM environment.

The quality of the applications produced with a prototyping tool is crucial. Anyone who has brought software to market knows that the actual development of the logic and code is a *fraction* of what makes up the product. What is the point of an application produced to customised requirement in rapid time if no-one understands how to use it?

The end-user has to be assured of an *easy-to-use* interface (usually a menu), explicit error messages, and all the usual cushioning that would come with a package. Documentation can be a stumbling block in the proper finishing of a "generated" application.

Well-engineered products provide facilities for writing online help for generated applications, and generate hard-copy documentation as well. These are rare: one such is Aston Technology's System Builder applications generator which works on machines running the Pick database environment, which also takes the portability factor seriously enough to provide the means to translate screen prompts, online help, and documentation into different languages.

Prototyping tools tend to be large and sophisticated programs and can be heavy on machine resources. But they do make the most of the human resources available and they have made it possible to customise packages for the fussiest of users and maintain a degree of flexibility after installation.

After the first wave of enthusiasm for standalone microcomputer tools such as dBase II, software houses have been surprisingly hesitant about the next, far more powerful generation of prototyping tools; perhaps because few are capable of producing sophisticated, heavy-duty, high-quality applications.

The main moves are coming from large data-processing departments and companies whose DP needs just never stand still due to expansion, mergers, and the like. They see prototyping as a way out of the applications backlog. Just as important, it involves end-users at every stage of development and ensures that what they get is what they asked for; and, if things have changed in the past few days, the software changes too.

Claire Gooding

Suppliers in Western Europe

● Packaged software market by suppliers and by processor size class, with values in $m

	1985	1991	Average annual growth %
● Hardware manufacturers:			
Single-user	382	1,853	30
Multi-user	2,432	10,125	27
Sub total	2,814	11,978	27
● System houses:			
Single-user	110	651	34
Multi-user	736	2,941	26
Sub total	846	3,592	27
● Independent vendors:			
Single-user	385	2,272	34
Multi-user	1,179	6,273	32
Sub total	1,564	8,547	33
TOTAL	5,224	24,117	29

Source: IDC

Desk-top publishing

Laser printer the key to high speeds

An entry-level electronic publishing system from Xerox automates the production of manuals, directories, catalogues and similar business publications.

DEVELOPMENTS have come a long way in office communications since the days of messy crank-handled spirit duplicators with wax sheets that would keep tearing apart in the middle of a print-run.

As the photocopier has become an essential item of office equipment since its widespread adoption in the 1960s, so will the desk-top publishing system of the late 1980s.

Apart from the computer used for the origination of documents on a high-resolution graphics screen, the most important element of a desk-top publishing system is the laser printer.

Whereas the printing mechanism of a photocopier is tightly coupled to its optical imaging system, a laser printer's mechanism is digitally-driven. The earlier laser printers were huge machines, from Xerox and IBM, and were used in large computer-room environments to replace slower and noisier "impact" printers, which had more or less reached their limit at about 10,000 lines per minute.

IBM's 3800 laser printer operates noiselessly at 18,000 lines a minute; while Xerox's 9700 comfortably exceeds this, and has the added advantage of not requiring special computer stationery—reams of standard A4 or A3 sheets of paper may be used.

This makes it ideal for "personalised" mailshots. Standard text was previously typed on a blank sheet of paper and photocopied on to letterheads, separately from variable text such as names, addresses and salutations which would be typed on afterwards.

Mailshots in smaller organisations can only provide a limited market for the smaller, slower and much cheaper desk-top laser printers. Arguably, it would be cheaper to buy time on a large laser printer from a computer bureau.

However, personal computers with suitable graphics capabilities can stretch the facilities of a desk-top laser considerably. The Xerox Star was one of the first of the sophisticated, but expensive, corporate electronic publishing and documentation systems to make use of smaller laser printers.

The Apple Macintosh, well known as a standard PC for its Xerox star-like graphics icons and its hand-held "mouse" device, which allows crude drawings to be generated on the screen, now carries some interesting software for desk-top publishing.

This is one of the few areas where Apple has so far run rings round IBM, because of its superior graphics. Although Digital Research's Gem software products offer similar graphics icon and mouse facilities on the IMB PC to those available on the Macintosh, they cannot match the Macintosh for resolution.

But now that IBM has launched its revolutionary PC RT, the going is bound to get very tough for Apple, for, though the latter offers better graphics, they are also slow to generate. Graphics places quite a heavy load on a computer's processor.

RT stands for Risc (Reduced instruction-set computer) Technology, a new and simplified type of computer processor architecture which breaks the mould of the complex architectures developed to cope with commercial data processing requirements.

It allows the computer to run faster by utilising only the most commonly used instruction "primitives," making it ideal for scientific, graphics and computer-aided design applications in general, and desk-top publishing in particular.

Nevertheless, Apple is determined to hang on to this market. The company is running advertisements for a complete desk-top publishing system weighing in at £7,500, including an Apple Macintosh PC, a LaserWriter desk-top printer, and software.

The software includes Apple's proprietary MacPaint and MacDraw packages, a sophisticated word processor from Microsoft called Word, and PageMaker, from the Aldus Corporation, which provides page layout facilities for up to 16 pages at a maximum of 10 columns per page.

As a software package on its own, PageMaker costs around £450. Also new on the market is a software package called MacPublisher II, offering some layout capabilities at a quarter the price of PageMaker.

Other office equipment suppliers, such as Gestetner, also base their desk-top publishing systems on the Apple Macintosh. Linotype's Series 100 is a desk-top publishing system based on Apple Macs, with several software packages developed specifically for publishing.

As one new technology leap-frogs another, new bits of software are required to keep up. For example, separate software to that required to drive a computer's screen and keyboard may be required for enhanced control of a laser printer's mechanism in the form of a page description command language.

Dataproducts, a traditional manufacturer of "impact" computer printers, has launched a desk-top publishing system in conjunction with Apple distributor McQueen Systems, also based on an Apple Macintosh computer and PageMaker.

The system includes the Dataproducts LZR-2665, a 26-page-a-minute laser printer which supports PostScript, a page description command language produced by Adobe Systems, of Palo Alto, California.

PostScript is a device independent command language which is resident in the controller of the laser printer. It acts as the interface which allows various workstations, laser printers and typesetters to be used interchangeably.

The LZR-2665 is a full text-and-graphics laser printer supporting paper sizes up to A3, allowing the user to produce a four-page A4 newsletter. The printer has 13 resident type fonts, which can be scaled to any size and placed in any orientation on the page. A number of additional fonts, such as the house style for a company name, can be downloaded.

The use of bit-mapped graphics or a mouse to create images such as logos and icons, in order to exploit the enhanced control available on laser printers, can be laborious and time consuming.

The next stage is the use of a scanner—almost a full turning of the circle back to the optical method of reproducing images as used by photocopiers, such as that used in the Kodak Ektaprint Electronic Publishing System (Keeps).

An added advantage of a scanner is that photographs may be used too. The Dataproducts system includes Scan 300, a desk-top optical scanner from Abatone which digitises drawings, graphics and photos directly into a Macintosh.

It is a 300-dots-to-the-inch scanner, which matches the LZR-2665 output exactly. It automatically converts continuous tone photographs into half-tones.

So, although at the moment Apple is way ahead of IBM in desk-top publishing, all is not lost for IBM users.

Itek, for example, offers an IBM PC-based personal typesetting workstation, the Itek PTW, a British-developed software package with menus, prompts, and the almost mandatory WYSIWYG (What You See Is What You Get) facility for modern text-processing systems. Its features include a 50,000-word dictionary (for hyphenation and spelling check), and more than 100 type-fonts on-line (each with 256 kerning pairs for automatically adjusted spacing).

Compugraphic's Scanner 1000 operates with an IBM-compatible personal computer. A logo, or other line work, is scanned and the data fed directly into the micro and on to the screen.

The operator edits and scales the logo before it is transmitted to the Compugraphic-digitised typesetter and stored on a standard font disk which can hold up to 118 different logos.

It is capable of scanning images from a maximum of 8½ in x 14 in down to a minimum of 3½ in x 3½ in, and will read an A4 page in approximately five seconds. It works to a resolution of 480 x 480 dots per inch (higher than Abatone's Scan 300) and has automatic light exposure to compensate for varying density originals.

Boris Sedacca

Off-the-shelf or specially written software

Choosing ready-mades that fit

COMPUTER SOFTWARE is inherently expensive to develop. Its design and testing are labour-intensive and require intellectual skills of a high order. Those who possess these abilities are scarce and so, naturally, are able to demand commensurate rewards.

It is for reasons such as this that in the major areas of word-processing, spread sheets, databases and graphics that standard off-the-shelf packages are most frequently used as they can provide an adequate solution without the high costs that would arise from having software specially written.

In many cases, in fact, it would be pointless having custom software. One "just" needs to choose the most appropriate package from the thousands on the market and one can obtain 80 per cent of what is needed for well under 20 per cent of the cost of a custom package.

The launch of the IBM personal computer had two effects: it made the micro a respectable business tool; and it provided the *de facto* standard machine on which software would be run. For the winners, such as Wordstar, which is even now the most widely sold (and pirated) word-processing package, the sales run into many millions of dollars with commensurate returns.

Market research by the software companies is therefore aimed at determining which added features will have most sales appeal. The outcome is a large number of competing "full-featured" packages which, subject to their being reliable and "bug-free," provide a vast amount of functionality at a relatively low price.

But the price to be paid for all this functionality is its complexity. Hence, it takes an appreciable amount of time and effort to learn to use such packages to best advantage. Indeed, for many users they tend to be an overkill.

At the same time they are often so big that they tend to be slow and lumbering in comparison with their older, albeit simpler, brethren on previous generation machines. This factor will become less important in future as new generation machines, such as the IBM AT and its clones, are more powerful.

Mr Bill Gates, president of Microsoft, believes that the correct approach is to develop software to take advantage of these machines. A measure of the problem facing users can be seen in a recent comparison between different versions of a well-established database.

A task which took 44 minutes on an elderly 8-bit micro took 62 minutes on an IBM-type machine. So not only did the user obtain no benefit he would actually lose if he changed machine. Only when the same job was run on a more powerful and more expensive AT-type machine was there a noticeable improvement. The task then took 30 minutes to perform.

The above may appear tough to users of the slower machines but it can be argued that as the hardware costs are falling it will not be long before most users will move on to these advanced machines and so be able to take advantage of the added power and speed as it becomes available.

Obviously it is impossible to cover even one of the areas of standard packages in any detail. But by looking at general principles it is possible to gain an appreciation of the difficulties facing a prospective purchaser.

I will consider word-processing (WP) because the manipulation of text is a task with which everyone is familiar and have an appreciable amount of direct experience of it.

There are two totally different WP requirements: one is to generate the words (the writing function); the other is to prepare attractive-looking printed documents (the typist's function). The two requirements often merge when the author "formats" the document so that the layout on the final printed page will look attractive and be easy to read.

Sometimes the author needs to carry out a brainstorming session and so has to make an "outline" of his ideas as he develops the skeleton. Then, when the outline is fully developed, he can put flesh on the bones and write the required document. The need of many executives is often far simpler in that regular reports follow the same pattern each month and each report, therefore, follows precedent without the need for outlining.

Writing is a most personal, almost idiosyncratic, process. So, choosing from the large number of packages on the market is a difficult task—even if one had the time to carry out extensive tests. As an aid, many of the reputable vendors offer "samplers" which allow one to get some idea of the performance of a package.

To cite some of the packages: Microsoft's Word is claimed to be one of the most versatile on the market and is aimed at the executive. It has good integral tutorial and "help" facilities so that a user is able to learn how to use added features. I like it but, as an experienced typist, I find it a little slow on my own machine.

While this is a high-performance stand-alone WP package, Quill is part of the modular integrated package Xchange from British company Psion. Other modules within this package, which can be used separately or fused together as an integrated whole, are database, business graphics and spreadsheet.

It is claimed to be easy to use and to provide a convenient means of transferring data from one module to another.

The writing of software is not necessarily the prerogative of the big battalions. Bonnie Blue was written by Ronald Greenberg, a computer professional working at New York hospital. This is a low-cost and yet fairly fast package which is both versatile and not too difficult to use. Marketed by London-based Paperlogic at just under £100 it will find favour with the users of low-cost clones costing around £1,000.

Similarly, Dr Chris Currie, of the University of London Institute of Historical Research, has written a program to permit the reading of text on a VDU with the same sort of convenience that one would expect from a book. It uses a similar approach and features numbered screens just like numbered pages.

While Bonnie Blue has been enhanced and updated whenever possible to meet users' needs, Dr Currie's program was written to meet a particular need in his department which, he now recognises, is a far from unique problem.

In all cases, however, one is dealing with intellectual property, and thus the copyright, of the software writers. Ideally, a prospective user would like to use a package extensively prior to purchase and yet, quite understandably, the vendors do not want to lose revenues from the proliferation of pirate copies.

A large amount of software is "protected" to prevent unauthorised copies being made. Increasingly, however, a number of major vendors are no longer doing this because it is can seriously inconvenience users (especially in the event of machine failure) and can also add to the complexity of the software itself.

Software piracy is a problem that will continue to tax the minds of the vendors for some time to come even though most customer companies are coming to recognise that it is unlawful to make unauthorised copies of a program to run on a number of machines.

This is probably more serious than the other problems of the user who makes a copy for use on a similar machine at home or of copies being passed around as they are less likely to constitute a major loss of revenue, while the problem of the multiple user is being addressed by bulk discounts and site licences. After all, what serious business user can afford to be without full documentation or vendor support?

The ability to evaluate software fully before purchase is provided by the concept of "user-supported" software which is becoming common in the US. These programs can be freely copied and are thus widely distributed. They frequently incorporate a message suggesting that the user should send the author a donation of $10 to $50. Sometimes this covers the supply of the manual and registration for updates.

A user who is satisfied with a program will probably not begrudge the relatively small sums of money involved, but this route for software procurement will not fit into a corporate strategy.

Software for micros is therefore a complex subject. The direct monetary costs of packages are likely to be smaller in real terms than the cost to a business of time wasted if a catastrophic decision is made. So, an investment of £65 for "Selecting business software," the latest addition to the Technology Made Easy series from Computer Television, could well enable the prospective buyer to start appreciating the questions that need to be addressed.

Adrian Morant

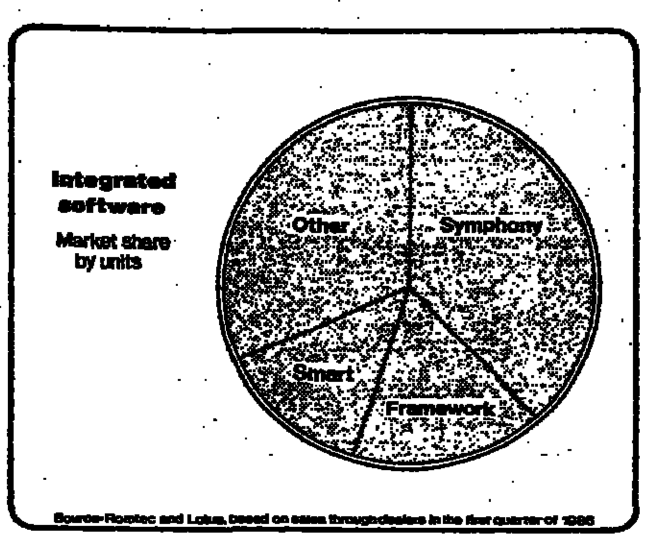
SOFTWARE PACKAGES 5

Integrated systems

Putting it all together

THE GROWTH of Lotus Development and its successful 1-2-3 software package is rare in the computer industry. Lotus's innovative approach — "integrating" features from several different programs in one piece of software — appeals to personal computer users.

Lotus 1-2-3 also started a trend for packages that combined all of the features that business and professional computer users might want in a single product. Lotus 1-2-3 brought together a Visicalc-type spreadsheet, a simple database and graphics. Later products, such as Lotus's own Symphony package, included word-processing, communications and facilities to accept data from other programs.



Source: Romtec and Lotus, based on sales through dealers in the first quarter of 1986

Early last year it looked as though sales of these totally-integrated packages would outstrip sales of single-feature packages. Lotus itself admits that it expected the main market for Symphony would be existing 1-2-3 users who wanted to extend their software.

Lotus even offered a discount to existing 1-2-3 users to encourage them to move to Symphony. Similarly, Ashton-Tate, Lotus's main rival in the personal computer software market, expected that its Framework integrated package would appeal to its existing users.

Attempting to identify trends

Ashton-Tate's dBase range is the market leader in database software as Lotus 1-2-3 is the leader in the integrated spreadsheet market. Both companies made sure that their new products were compatible with their earlier ones. Symphony can use spreadsheets generated by 1-2-3 and Framework can use databases generated dBase.

Lotus saw its spreadsheet users moving into word-processing and database, Ashton-Tate saw its database users moving into word-processing and spreadsheets.

They were both wrong. Despite the discounts, the upwards compatibility and the apparent logic of moving to products which offered more features, Lotus 1-2-3 users have not moved over to Symphony in great numbers. Neither have dBase users moved to Framework.

This does not mean that the products have failed. Far from it. Mr Floyd Bradley, managing director of Lotus UK, estimates that 1985 revenues from sales of Symphony were between \$50m and \$75m. "If Symphony were sold by a separate company that company would be the fourth largest software company in the business," he says.

Similarly, Ashton-Tate says it has sold 100,000 copies of Framework worldwide since its launch two years ago. Mr Paul Sloan, Ashton-Tate's UK marketing director, echoes Lotus's admission that it expected Framework to replace dBase.

"We have learnt a valuable lesson because we though that Framework would replace existing packages. What has happened is that we have found an entirely new market," says Mr Sloan.

According to figures compiled from dealer sales in the UK by Romtec, a market research company, sales of integrated software packages accounted for 11 per cent of all personal computer software in the first three months of this year.

The same source shows Lotus Symphony well in the lead, with 38 per cent of the market, and Ashton-Tate's Framework in second place with 17 per cent of the UK market.

Ironically, sales of Lotus 1-2-3 and Ashton-Tate's dBase continue to soar, supporting the view that integrated packages have created their own market. Romtec's figures show that "stand-alone" spreadsheet packages accounted for 30 per cent of all software sales, word-processing packages stood at 28 per cent and database packages took 22 per cent.

Lotus 1-2-3 still leads the spreadsheet market with 58 per cent of sales and Ashton Tate claims it has between 45 per cent and 50 per cent of the UK market for databases.

The continued popularity of Lotus 1-2-3 and Ashton-Tate's dBase, together with the growth of a separate market for the two companies' integrated products, has led both concerns to revamp their development strategies.

"Our development people now see two main product areas. We have divided our product into character-based products like 1-2-3 and Symphony and graphics-based products like Jazz, our integrated package for the Apple Macintosh," says Mr Bradley.

"We will continue to develop 1-2-3 and Symphony as character-based products and we want to evolve 1-2-3 gradually to include more features. But we see 1-2-3 and Symphony as separate product lines."

Lotus has not given up its goal of bringing 1-2-3 users across to Symphony. It has already made changes to Symphony to make it more appealing to 1-2-3 users. The original version of Symphony could use Lotus 1-2-3 spreadsheets, but 1-2-3 could not use spreadsheets built using Symphony.

The latest version of Symphony has changed that and Mr Bradley thinks this will increase Symphony sales.

"The problem was that Symphony users in a company could be isolated from 1-2-3 users. Now that is not the case," he says.

Development of wider portfolios

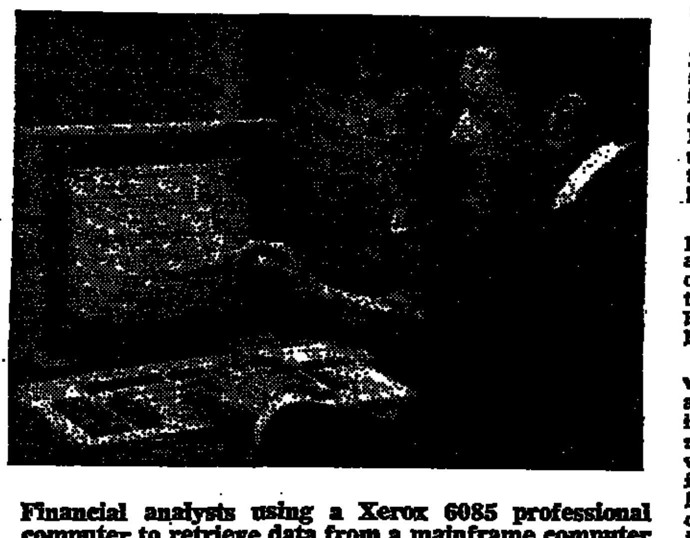
Ashton-Tate also sees its dBase range and Framework as separate product lines. Mr Sloan sees no conflict in this. "We will be bringing the two products together in various ways. But I believe that the leading software publishers will continue to develop wide portfolios of products and some products will tend to overlap," he says.

"There is no doubt that if your needs can be met with a single integrated package then it is the best approach. The common command structure in Framework and the ability to move data from a spreadsheet to a wordprocessor to a database make it a natural choice.

"If you need to use stronger products, like a secretary using a full word-processor, then you can still integrate using something like Microsoft Windows. But it will never be as clean as Framework."

Mr Bradley of Lotus agrees with the core of Mr Sloan's argument and says: "Symphony is a product for middle management with a light need for word-processing, a light need for database and heavy need for spreadsheet. Yes, it is more complex than 1-2-3, but there is a lot more in it."

Philip Manchester



Financial analysts using a Xerox 6085 professional computer to retrieve data from a mainframe computer in one version of an integrated financial management system for work-groups and departments.

Accounting applications

Need for multi-user systems

ACCOUNTING systems are not the most glamorous of computer applications, but they are the backbone of the data-processing business and have become an important microcomputer application.

The arrival of powerful and inexpensive microcomputers is causing a quiet revolution in the staid world of company accounting. Microcomputers such as IBM's AT personal computer are powerful enough to challenge much more expensive minicomputers.

Moreover, the increase in computer power and the decrease in cost has meant that electronic accounting is a practical and economic proposition for smaller companies.

The UK researcher, Romtec, estimates that the UK market for personal computer-based accountancy software alone was worth £40m in 1984 and is set to grow to £104m by next year.

Over the past few years the trend has been towards "packaged" accounting systems. Accounting software for large mainframe computer users is provided in package form by US-based companies such as Management Science of America and McCormack and Dodge.

At the other extreme, small UK developers have produced accounting packages for every type of hardware from the Sinclair Spectrum upwards.

Packaged accounting systems start with the three standard ledgers, sales, purchase and nominal. The large and more expensive computer accounting systems also include invoicing, stock control and order processing. In between, there are any number of variations to meet the diverse needs of different businesses.

Accounting systems are also a key area for "bespoke" software developers. These systems, either developed by specialist software companies or by the users themselves, are designed to a customer's specification. Unlike general applications such as word-processing and spreadsheet systems, accounting is influenced by factors outside the technology.

An accounting package developed in the US, for example, does not provide for UK legislation on accounting procedures. An accounting package developed for a manufacturing company is inappropriate for a service company. The result is that a thriving industry has grown around developing bespoke accounting systems.

Extending into larger markets

Despite the continued demand for bespoke systems, however, the main thrust in accounting software is towards packages; and the big issue for developers from both ends of the business is to extend their packages to larger markets. The personal computer package suppliers are trying to move "up-market" and the minicomputer software suppliers are trying to move "down-market."

Even a small company's accounting systems are administered by a group of people rather than one individual. This means that a personal computer on its own is limited in its effectiveness. Accounting data need to be shared by several people at once.

Companies which started with small personal computer-based accounting systems are finding that they need to expand. They need to add more terminals to their systems while retaining secure data files.

At the same time larger companies are finding that accounting systems built for personal computers are more "user-friendly" and more acceptable to their employees than systems developed on mainframes. The wide acceptance of personal computers in business has raised people's expectations of systems.

Mainframe and large mini-computer systems are set in an environment where technical knowledge and skills are available to help users. But by personal computing standards the systems are difficult to use.

The result has been growth in the middle ground between microcomputers and mainframes in systems that can support more than one user and provide a smooth interface for the user. It is this area, usually known as multi-user systems, that is proving attractive to accounting software developers from both ends of the market.

Companies such as Pegasus and Anagram, with a background in personal computing software have tdapted their software have adapted their personal computer systems and have started to include multi-user features. Companies such as Systems Union, Tetraplan and SMB, all with backgrounds in larger computer systems, have brought their packages to the same environment.

But it is not simply a matter of taking an existing package, making a few alterations and packaging it up as a "multi-user" product. Multi-user systems require much more discipline than personal computer systems. They also need technical features like record-locking to prevent more than one person changing a piece of data at once.

Both personal computer-oriented and mainframe mini-oriented companies face problems in meeting the demands of the emerging multi-user accounting software market.

"It is fortunate for us that we moved into the middle ground early on," says Geoff Abbott of SMB Software, a subsidiary of the giant Thorn EMI Computer Software group. "Larger companies coming from a data-processing background are unfamiliar with user friendly interfaces and personal computer software companies are not used to the demands of a multi-user environment.

"They have also written their code in the Basic language, which is not suited to multi-user computing.

"The only area where we were light was documentation. Before Thorn EMI took over we did not have the resources to produce the sort of high-quality documentation the market demands. Now we do."

But businesses wanting to computerise their accounts using a multi-user system are faced with more problems than choosing the right software supplier. They also face unresolved technology issues such as what type of multi-user hardware to choose.

"There are two routes for users to take," says Sean Dowling, managing director of Tetra, another company that started on minicomputers. "If they have an existing investment in personal computers they will probably opt for a system which networks a number of personal computers like PC Networks or one of the proprietary offering from Novell or 3Com.

"If they are starting from scratch, or coming down from larger systems, they will most likely go for a single processor servicing a number of terminals and running under an operating system like Unix."

The first thing that customers should remember, says Mr Dowling, is that they want a business system and should concern themselves with operating system and technology issues no more than is necessary. He claims that Tetra's accounting packages work equally well on networked personal computer systems and "true" multi-user systems. Other software companies can offer the same flexibility.

Philip Manchester

The author of this article is consulting editor of FinTech 5, Software Markets.

Documentation

Need for clear instructions

THE FINEST printed documentation is that which you don't need—because the software is self-explanatory.

Unfortunately, fine documentation is rare and for most products it is still necessary. The demonstrations appear wonderfully easy, but the moment of truth comes when the user is facing the machine, alone, with only the user's guide for help.

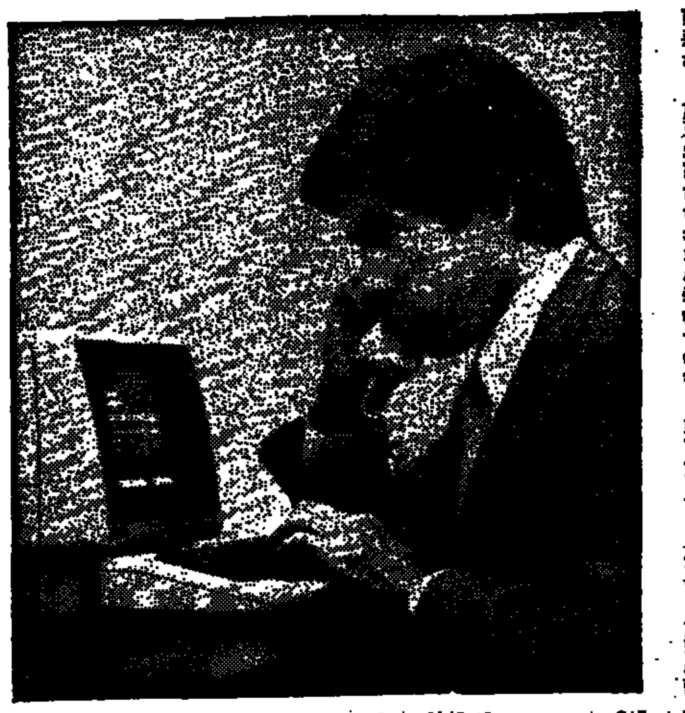
Software suppliers in the UK have gradually improved their documentation. US concerns were more aware of the competition and readier to spend money on aspects which UK software suppliers thought of as luxuries or no more than expensive fripperies.

But the documentation of a package is fundamental to its success. It doesn't matter how well-programmed a package is—if it isn't easy to use it will not succeed. Mitch Rapor, developer of the best-selling Lotus 1-2-3 spreadsheet package, never claimed to be a star programmer. When he launched Lotus, Rapor's sales pitch centred on how easy it was to use, or the design of its now much-copied user interface, and the fact that it did the things that people actually wanted.

It says a lot for Rapor's shrewdness that the interface was built in right from the start. Too often the documentation and the user interface are added in as afterthoughts to a massive development effort. A well-designed piece of software should include the documentation and interface.

Guidance doesn't always come from a manual. Online help, the sort you can summon with one keystroke to display an explanation on the screen, is still widely seen as something of a gimmick. It is rarely practical as the sole source of help, partly because it is so slow to access and read screen by screen. But it is invaluable to a new user who needs a quick reference without wading through a manual.

The most practical online help can be designed into the interface is "signposting." A system should ideally make it obvious to users exactly where they are, by means of a menu, icons, or any other route-pointers. Even more important, it must be obvious how to exit. "How do I get out of this?" is a common cry. A thoughtfully designed package will not cause such a crisis because the method of moving between functions and exiting from them will be self-evident.



Easy-to-follow documentation is vital for successful software application. Above: a manager checks delivery of electronic mail using special software for Hewlett-Packard's HP 3000 Computer network system

Another good sign is consistency in the way that a package handles certain functions such as inserting, deleting or amending information. Ideally, one basic technique should apply throughout the package, so that having learnt one process you have a fair idea of how to tackle others.

A hands-on demonstration may give you the most important clues on how easy-to-use a package may be. A demonstration disk will give no more than a "flavour." The manual, on the other hand, should give you the essence of a package, and you can take it home to read in bed. A lot of people rely on the documentation of a product to make a detailed assessment of its capabilities.

How do you tell? One of the positive signs of a package which will be easy to use is consistency. Methods of choosing tasks, exiting, or aborting should be uniform.

The structure of the manual is as important as the structure of the software itself. This means getting things in the right order, not repeating anything unnecessarily, and keeping the tone and explanations to a consistent level.

A common fault (often committed by user guides to hardware) is to explain some term in great detail and then, two pages later, ask you to swallow in passing a far more complex technicality, totally unexplained, which presumes that you have a degree in electronic engineering.

Getting the level right is one of the hardest tricks of documentation. Too often the author of a "first-time user" manual behaves as though no-one will ever progress beyond the hand-holding stage. Fine, the first time through, but remember that you will also need the users guide for reference in times of crisis. The vital information may be there, but can you find it? Look for an index, preferably including cross-references, and try using it on a few key points.

It is easier if the users' guides are divided into explicit sections for first-time and advanced users. Sometimes these come as separate guides, and sheer bulk can be a problem. There is also the hazard of not being able to find what you need.

One of the most common complaints against ICL's One Per Desk integrated office/telephone system was that it had so many books that users needed a guide to the guides. As a sampler for the computerphobe it's a non-starter. On its mainframe do-it-yourself programming product — Quickbuild — ICL got it right, however. Not only is the documentation well-structured and crystal clear, the software itself is self-explanatory.

Programmers are the worst people to write guides because they rarely understand the level of skill (and particularly the lack of it) in their audience. It takes an expert to sort out the priorities, put things in the right order, cut out unnecessary repetition, and keep the levels distinct.

Luckily, there are more experts around than there used to be. Documentation houses such as Baddeley Associates of Cambridge, and TMS Computer Authors of Guildford have emerged to meet the need for clear User Guides. They are helped by the improvements in production methods, particularly word processing, electronic publishing and, on the cost side, laser printers. Reprints and corrections can be horrifically expensive.

The Institute of Scientific and Technical Communications has recognised computer guide authorship as a special area which needs all the precision of scientific and engineering manuals, but in a slightly less terse style. There are courses and conferences and several books on the subject for aspiring documentors.

Jean Hilder, managing director of TMS Computer Authors (clients include large banks and City firms who need tailored guides) deals with structure and audience first. A lot of work goes into the examples. "The problem-solving areas are often the most useful," she said. "Often the examples in guides are too simplistic or don't make sense." She is also a believer in a "panic page"—the first place a user can turn to to get out of trouble, with all the easy escape tricks which will save telephoning the support department. First-time users should be given an easy task they can do in half an hour with the package, which gives a sense of achievement early in the game.

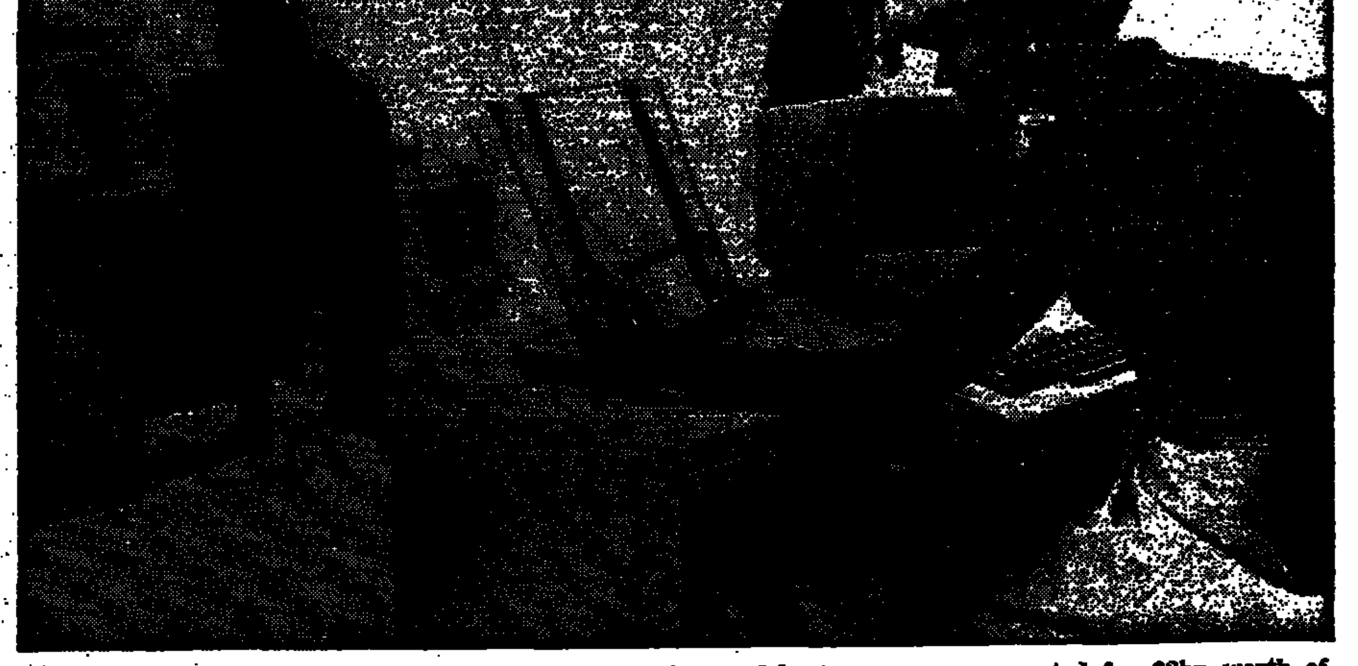
Like many British documentors, Ms Hilder feels that US documentation often gives shallow, insufficient examples and tends to be too jolly. The British take their computers more seriously. "Professionals don't like to be talked down to. Sometimes manuals become too self-consciously friendly, condescending and patronising. The UK tends to be more formal, less free-and-easy. To copy the US style is wrong for the UK market."

The comment raises an important point at a time when portable software is becoming de rigeur. Software has to be portable not just across machines but across national boundaries.

Some companies such as Thorn EMI, have the resources to make their manuals multilingual, as with the SMB multi-currency business software. Translation is not cheap. One specialist agency, Lexitel, which has translated the guides to Access Technology's 20/20 spreadsheet into French and German, estimates the cost at average £20 per page, without production.

For most products, getting it right in English is still a long way away. Meanwhile, bookshops will do a good trade in "how to" guides which tell you everything your documentation should have told you—but did not.

Claire Gooding



Productivity software, including word processing and spreadsheet programs, accounted for $2bn worth of sales in the US market last year. Sales could reach $4.5bn in this sector by 1990

US demand for higher performance

Business market grows apace

WHILE THE US business and personal computer software market continues to grow at a steady pace the prospects for new entrants are dim, according to US industry analysts.

The three largest business software publishers — Lotus Development, Ashton Tate and Microsoft—together account for 60 per cent of sales, while another 6,000 or so concerns compete for the remainder of the business.

The US market for "business" software — accounting and administrative applications — will grow to $1.6bn this year, up from $1.4bn last year, according to Dataquest, the US market reseaurch firm. The researchers *project a 13.5 per cent annual* growth, bringing this sector of the software market to $2.7bn by 1990.

"Productivity" software, including word-processing and spreadsheet programs, accounted for an additional $2bn in sales last year and are expected to top $2.4bn this year. Dataquest projects sales of $4.5bn in this high-growth sector by 1990.

Despite its high growth projections, Dataquest does not see many opportunities for emerging or new companies in the personal computer software market. The industry is grossly overcrowded and a big consolidation is under way, according to industry analysts. They predict business failures and acquisitions as the inevitable result of too many companies competing for too few customers.

Market barriers to new software products have risen significantly over the past two years, with the cost of bringing a product to market becoming a heavy expense. Although software is relatively inexpensive to develop, the costly advertising and marketing effort needed to catch the attention of potential customers has increased dramatically.

A big problem facing most software companies is how to sell their products. The industry is hampered by the lack of a clear distribution channel to take its products to the end user. Although software programs provide the driving force behind personal computer use, US computer retailers, who account for nearly 70 per cent of all hardware sales generally, regard software only as a "necessary evil."

With computer stores typically stocking only a few of the best-known programs there is little opportunity for newcomers or specialist products in the retail channel.

According to US computer retailers, the time and considerable skills needed to make software sales are not justified by the thin profits that they earn. The downward trend of hardware prices has forced the discounting of software prices as customers baulk at spending more than about 30 per cent of their total investment in a computer on the software.

Software stores, once hailed as an important new distribution opportunity for program publishers, have failed to live up to expectations. Most have closed down or transformed their businesses into hardware and software shops.

Direct sales, through mail order or by a company's own sales force, have become the dominant selling method in the business software field, where the bulk of products are purchased by large companies. To reach small businesses, software concerns are trying new approaches such as selling programs designed to meet the needs of vertical sectors of the market through professional and trade groups.

Accounting firms have also become a significant factor in the distribution of software.

The growing problems of software distribution were recently emphasised by the financial woes of First Software Corporation, the second largest software distributor in the US, which filed for protection under US bankruptcy laws in April.

First Software's bankruptcy is expected to cause a rash of bad debt charges against the earnings of software publishers. Already, Micropro International, publisher of the "Wordstar" word-processing program, has said that it is owed $1.4m and Software Publishing Corporation has said that it expects to lose $500,000 through the distributors' bankruptcy.

Slim profit margins were First Software's downfall, according to industry experts. Some expect to see software prices increase as distributors become less aggressive in software price discounting. But others believe that software prices must fall further with software publishers taking a profit margin cut so as to satisfy demands for inexpensive software *to run on cheap computers.*

In the business sector, however, there is also a growing demand for higher performance software. Softwear Publishing Corporation, which makes the popular PFS line of relatively simple filing, report-writing and word-processing programs, has suffered a significant drop in sales and earnings over the past six months and expects to report a $1.5m loss in the third quarter of this year because of the shifts in the market toward more advanced programs and the increasing focus of retail sellers on the corporate market.

Louise Kehoe

Bureau's success with payroll systems

Profile: in 22 years Peterborough Data Processing Services raised its turnover world-wide, based largely on software rentals, from £2,000 a year to £7.5m.

IN 1963, Mr Ian Evans-Gordon and his wife Gill set up a computer bureau in Peterborough with the help of a part-time punch operator, using spare computer capacity at Perkins and Hotpoint.

Turnover that first year was under £2,000. By April this year, the audited accounts of Peterborough Data Processing Services for 1985 showed a turnover of £7.5m worldwide, up 14 per cent over the previous year, and pre-tax profits of over £1m. The major part, about £6.75m, came from its UK operations.

A large proportion of turnover is based on software rentals, which provides some measure of income stability against a background of wide fluctuations in the fortunes of other companies in the software market.

The company made its name as the UK's market leader for large and medium-sized mainframe computer-based payroll systems with its Unipay package.

As software products go, a payroll sits at the non-glamour end of the software market, a staple but highly profitable product used by virtually all large, medium-sized companies, and even small companies running microcomputer-based payroll systems.

However, the company describes its speciality as "human resource management systems," which also includes its Unipersonnel and Unipension systems.

Its products are used by more than 500 UK customers in the public and private sector, including over half of the Times Top 100 companies. But it is a public sector customer which brought the company widespread and unwelcome publicity.

Reports were carried of weekly-paid staff at the London Borough of Brent threatening industrial action in April when a backlog of wages payments were lost due to payroll errors.

The Borough's 7,000 weekly paid staff were getting reduced pay packets for some weeks since Brent started using the Peterborough Software's Unipay, but the company took an unfair proportion of the blame.

Brent's director of finance, Mr Odrin Steed, is keen to point out that bugs in the software, brought about by the customisation of Unipay when it was first installed, only contributed two weeks to the problems.

The rest of the problems were attributed to internal administrative problems at Brent and the way that departments handle time sheets.

"The basic software was never in question, but historically, Brent has always had difficulties in processing its payroll at Bank Holiday periods, because the unions try to insist on 'factual' pay week by week," explains Mr Steed.

"This is literally impossible and what we have sought to do over Bank Holidays is to pay estimates in the weeks before and after, and then to pick up everything in the third week.

"Those Bank Holiday weeks came rolling on very quickly after the two weeks in which there were software problems. The main problem is that we do not get time sheets through from the departments on time and that is a problem for Brent, not Peterborough Software.

"I have to say that we have been using Peterborough Software's Unipay for salaried staff such as officers and teachers for many years, and last year we put in their latest update without any problems.

"Peterborough is not new to Brent and we have also installed Unipensions. While this system is not 'live' yet, we have had no problems with entering data, and all is going according to plans and timescales.

"It is only in the case of weekly wages where we are changing from a very old, in-house written system to a sophisticated online system to bring Brent's weekly wages payroll into the 80s from the 60s."

This unfortunate event overshadowed another major milestone in the company's otherwise low-profile existence. In mid-April, the company was acquired by insurance brokers C. E. Heath for £8.5m.

The company already had a close working relationship with C. E. Heath, which also offers a computer bureau service based on Unipension to pension funds, since 1979.

Mr Evans-Gordon remained as chairman and was joined by Michael Burton as deputy chairman. Mr Peter Presland, C. E. Heath's group finance director, also joined the board, and the Peterborough management team completing the board comprises Mr David Laking as group managing director, Mr Tony Bews and Mr Sandy Scott.

"Our acquisition will give us the capital and financial muscle necessary in a computer industry which grows ever more competitive and dominated by large multinational companies," said Mr Laking.

In effect, the large software multinationals have always been around, but they are mainly US companies who regard the UK market as the cherry on top of the icing.

What has counted in Peterborough's favour all along is the fact that it is a British company, so UK payroll legislation is its primary concern.

But it is not the only British software house supplying payrolls, and a handful of others are also moderately successful in this market.

They will be looking to hold on to their slice of the cake, if not to expand it.

Boris Sedacca

SECTION IV

FINANCIAL TIMES SURVEY

Hong Kong

香港

A picture has begun to emerge of what Hong Kong will look like under Chinese rule after 1997, pushing the issue of confidence to the front of people's minds. Despite trading uncertainties, and signs of a need for structural economic change, the impression remains of a dynamic economy.

Quest for stability

By David Dodwell
Hong Kong Correspondent

"WE DON'T expect Hong Kong people to like socialism," said one of China's most senior diplomats in Hong Kong, aimiably sipping a glass of white wine. "All we hope is that they will be good Chinese."

Nine months ago such an assurance would have been greeted with widespread public scepticism. There will still be many sceptics today but there are signs that a growing number of people are willing to believe that Peking means what is says. It is an assurance that sits at the heart of Deng Xiaoping's reunifying formula of "one country, two systems," and without it the formula stands no real chance of being translated into reality.

"The signs are that China is bending over backwards to accommodate Hong Kong views," comments Maria Tam, probably the nearest thing Hong Kong has to a true politician. There are signs too that Hong Kong people—always pragmatists—have begun to modify their political aspirations in response to signals from Peking.

The most ardent sceptics in the British territory would doubtless claim that Maria Tam has gone soft on China. Others would say she is reflecting a significant change in mood that has occurred in the British territory over the past nine months—both in terms of Peking's willingness to listen and in terms of Hong Kong people's ability to adjust to what is possible.

It is far too early to suggest that Hong Kong people are sanguine about their future under Chinese rule after 1997. Too many are still seeking foreign passports for themselves or their children, and too many remain reluctant to invest in the territory, for such a claim to be made.

But an important source of encouragement has been evidence that Peking is willing to listen and that it genuinely has no preconceived ideas about how Hong Kong should be governed after 1997.

When Lu Ping, a senior official in Peking's Hong Kong and Macao affairs office, visited Hong Kong last January with a group of 12 lawyers to learn what local people felt about a wide range of issues, he resisted fierce and persistent pressure to elaborate Peking's views.

His attitude irritated some local journalists, but after a month of work and more than 1,000 interviews there can be no doubt that Lu Ping has been able to furnish Peking policymakers with a much clearer idea about the hopes and fears of Hong Kong people than they did last year.

The 23 Hong Kong members of the Basic Law Drafting Committee, the Peking-appointed body that has the task of drawing up Hong Kong's post-1997 constitution, returned from Peking two months ago with first-hand experience of how Chinese officials were willing to modify proposals in response to reasoned objections.

The fear that Peking had a formula ready to impose on an unwilling Hong Kong public has on this experience proved unfounded.

Even Martin Lee, QC, a member of both Hong Kong's Legislative Council and the Basic Law Drafting Committee who has been an outspoken critic of British and Chinese officials alike, returned to Hong Kong uncharacteristically satisfied with the progress made.

In the Joint Liaison Group, the Sino-British body set up to oversee Hong Kong's transition to Chinese sovereignty, there are also signs that early suspicions are being eroded by a measure of tangible progress.

China's agreement to endorse Hong Kong's claim for independent membership of the General Agreement on Tariffs and Trade (Gatt) is the most recent and notable example, involving real concessions from Peking on the scope of its sovereign control over the territory.

The political nadir came in November last year when an outburst from Xu Jiatun, head of the New China News Agency in Hong Kong and Peking's most senior local official, about the pace and direction of political reform in the territory, provided evidence of serious behind-the-scenes differences between Peking and London.

It emerged that Peking was upset by Britain's failure to check what it thought were extravagant and destabilising political changes being sought by the territory's aspiring politicians. Greatest fears were over calls from people like Maria Tam and Martin Lee for political parties, direct elections, the creation of ministerial posts and full-blooded democratic politics based on Western models.

Seven months later Peking's officials seem much more relaxed about the political changes occurring. They have had assurances from British ministers that Whitehall is striving towards political "convergence." They have also seen the territory's political activists modify their aspirations in a number of significant ways.

Maria Tam has now abandoned her aim of setting up a political party. It took only one suggestion from Peking that it could not stand in the way of a Communist Party being formed in Hong Kong if other political parties were set up, to make her and other political aspirants realise that this was a Pandora's Box that was better left unopened.

Martin Lee, consistently an advocate of direct elections to Hong Kong's Legislative Council, is now pressing for just 25 per cent of the seats on the council to be filled in this way. Chinese officials have quietly signalled that they would have no objection to such a compromise.

The Hong Kong Government's political review, planned for 1987, can now go ahead with fewer fears that it will cause a confrontation with Peking.

The retreat from calls for full direct elections seems to come from a view shared by many senior officials; and the territory's important business community, that Hong Kong could be weakened economically by the unleashing of populist political forces.

It is a view reinforced by the poor performance of the economy last year when the per capita gross domestic product contracted by almost 1 per cent following a rare slump in exports and rising concern that manufacturers have reached a saturation point in world demand for their products.

None would seriously claim that last year's enhanced political activity was a factor in the downturn, but it has reminded many in power that stability and prosperity—the common aim of London and Peking—can easily be disturbed and would certainly not be helped by the emergence of adversarial politics.

The desire to maintain stability and prosperity has resulted in a beaming courtship by Peking's socialist leaders of Hong Kong's super-rich capitalists. Some have said this is cynical and ultimately self-defeating. But Chinese officials—and a fair number of Hong Kong officials too—remain convinced that it is an essential first step to ensuring prosperity after 1997.

Many officials would argue that the modification of hopes for political reform is a reflection of growing maturity on the part of political figures. There may be some truth in this, but much more relevant is a growing awareness that insulation from volatile political forces in China would in no way be provided by democratic reforms.

Populist forces could clearly be manipulated by Peking just as easily as the territory's post-1997 leadership—if Peking were so inclined. Put starkly, this means that Hong Kong people have very little choice but to have faith in China's good intentions.

If good intentions remain intact, then Hong Kong's other main fear is of injury due to ignorance—and there is still a great deal of ignorance both on the part of the Chinese about Hong Kong and on the part of Hong Kong citizens about the mainland.

A process has begun of "sending mandarins in two directions" that is intended to reduce this ignorance. A number of senior Hong Kong Government officials have spent periods of study in Peking over the past year.

At the same time, apart from Lu Ping's widely-publicised visit and that of state councillor Ji Pengfei, a steady stream of Chinese officials has been crossing the border into Hong Kong.

Such a two-way traffic can only gradually reduce ignorance and suspicion. But the achievements of the past nine months seem to have been sufficient to mitigate feelings of unease among many Hong Kong people.

Confidence may remain the prerogative of a partisan minority for several years to come, but many would say that the experience of the past nine months gives them good grounds for hope.

Looking east along Hong Kong Island's Eastern Corridor Causeway: there is growing belief in Deng Xiaoping's reunifying formula of "one country, two systems".

CONTENTS

Photographs by Roger Taylor

This survey is an integral part of today's issue of the Financial Times and is not for sale as a separate section.

Politics

Bumpy road ahead under Peking's watchful eye

ANYONE who is optimistic or pessimistic about the future of Hong Kong has to make some mighty assumpions these days and is quite likely to be out of touch with actual events as well.

Fortunately this is not preventing a healthy expression of diverse opinions about the transition to 1997.

The most pessimistic sees a jittery but apathetic Hong Kong population, unwilling to press Britain into championing democracy as the territory's only true safeguard against potentially arbitrary rule from Peking. On this view, those who can will leave while the rest are already resigned to a fate beyond their control.

The most optimistic foresee a continuing life for Hong Kong's successful system of minimal government interference, low taxation and free transfer of funds. On this view, only minor changes will be made to the administrative practices which make Hong Kong "tick," and people will go on as before, making money.

In fact Hong Kong's mood, as ever, is highly volatile. The euphoria which followed the Sino-British joint declaration of November 1984 has largely evaporated. Yet after sentiment hit a nadir six months ago it is quite clear that only the gloomiest doomsayers have failed to draw encouragement from more recent political developments.

Such swings have been seen against a broader backdrop of factors quite beyond Hong Kong's control. The optimists' most important assumption, for example, concerns the life expectations of Mr Deng Xiaoping, the octogenarian Chinese leader, or at least of his modernisation policies and his novel "one country, two systems" plan for Hong Kong.

Just as important is the assumption that bustling Hong Kong can maintain the advantages over its Asian competitors which have made it one of the world's fastest-growing economies. Behind this is yet another assumption—that China will continue to need Hong Kong for its trading and investment activities and that Peking does not wish to tinker with something which works so obviously to its own benefit.

To the extent that Peking's leaders also need to demonstrate a success in Hong Kong—in order to protect their domestic position, avoid international embarrassment and ultimately recover Taiwan—the outlook on this count must also be seen as encouraging.

Against all this is the pessimists' concern over the Chinese post-revolutionary experience, from which much of Hong Kong's population fought to escape, and the perception that Britain's larger long-term interests lie more with China than with Hong Kong.

For many Hong Kong residents Britain's departure will remove the protection which shielded them from internal political struggles on the mainland and leave them more vulnerable to the age-old inclination of Chinese authority to intervene—in this case in the affairs of a country they still do not properly understand.

When taken with the potent call from Peking urging Hong Kong's people to stand patriotically with China, such considerations pose a real dilemma as to whether they should stay or leave. For now, no on has to make any final choices. But ordinary people will see some big decisions being taken from next year and these will force them to make up their minds.

In particular, they will be expected to take a view on the question of direct elections for the Legislative Council (known as Legco), on the powers which should be held by the Chief Executive (who will ultimately replace the Governor), on the idea of ministerial responsibilities in Legco and even the formation of political parties.

Hitherto the Governor and the civil servants have operated a unique political sytem which gives them near-dictatorial powers on paper but on most issues demands continuous consultation at all levels in order to work. Now the balance of this "liberty without democracy" is coming under scrutiny.

Next year the Hong Kong government is due to produce a promised Green Paper on political structure and it is eagerly awaited. The paper follows a previous Green and White Paper, produced in 1984, which led to the first-ever elections to Legco last year. Though these were indirect and only for 24 of the Council's 57 members, politics is being transformed rapidly and further evolution is likely for the next Legco election in 1988.

In 1988, too, a 58-member committee is due to produce a draft of the all-important Basic Law—the constitution for the government of the Special Autonomous Region of Hong Hong after 1997. The activities of this committee and of the 180-member Basic Law Consultative Committee have concentrated minds even more strongly than the Hong Kong government's review because their work is being co-ordinated by Peking.

The Basic Law is scheduled to be passed by China's National People's Congress in 1990, which is earlier than originally intended. For Peking, however, it plainly became necessary to advance its plans in order to avoid the possibility of being pre-empted by changes already under way in Hong Kong.

These changes pointed to a process of democratisation in the territory which began with the creation of District Boards before Britain and China even started their talks on the future of Hong Kong. Peking has since become worried that the evolution is proceeding too far and too fast.

Its suspicions burst into the open last November when Mr Xu Jiatun, head of the Xinhua news agency who is Hong Kong and Peking's senior representative in the territory, returned from a trip to the Chinese capital and suggested that Britain was "deviating" from the joint declaration.

Coming on top of indications that Peking was manipulating the Basic Law drafting process to its advantage and some comparatively radical political proposals emanating from public figures in Hong Kong, confidence plummeted. It took a testy meeting of the Joint Liaison Group, originally set up by London and Peking to implement the Sino-UK agreement, to put the proceedings back on track.

People have since been talking of "convergence" between the evolution of Hong Hong under British administration and the devolopments which involve Peking, starting with the Basic Law. With few exceptions, those who were most critical of Britain or China are now happier about the way things are going.

For those watching Peking, the biggest encouragement has been its willingness to listen and learn and to make concessions. Of the Basic Law Drafting Committee's members 23 are from Hong Kong. Originally there might have been none. All the members of the Consultative Committee are from Hong Kong and, though it is functioning clumsily so far, it is clearly expected to do a proper job of discovering and transmitting the views of the Hong Kong public on the Basic Law.

To hear Peking's viewpoint in Hong Kong, the ideal future setup would see a replication of Hong Kong's present system with any necessary changes introduced as gradually as possible and by agreement. What these changes might be is also becoming clearer, although it is also apparent that Peking has no fixed view and probably shouldn't have.

Thus, Peking is at present quite prepared to see direct elections to Legco, but not for the whole council. On the other hand it would not want power relations between the legislature and the chief executive to be very different from those now prevailing, which means it is against ministerial responsibility in the legislature.

On political parties it warns that if these start then the Communist Party would organise openly too, which means the stage would be set for a clash with nationalist Kuomintang-style elements. As for the chief executive, Peking evidently prefers to see one chosen by consultation rather than direct election.

Beyond this it is clear that units of the People's Liberation Army would be stationed in Hong Kong after the departure of the British forces, that final interpretation of the Basic Law would rest with China's National People's Congress, and that skilled expatriates currently in the civil service and police would be urged to stay on to help the new order.

Meanwhile, politics in Hong Hong itself remain fluid, as shown by the way public figures are shifting their views. Mr Martin Lee, QC, an elected member of Legco who is on the Basic Law Drafting Committee, has become less strident in his demands for democratisation.

Miss Maria Tam, a member of Exco and Legco who is on the drafting committee, has become less insistent on the need for political parties; and Miss Lydia Dunn, the senior "unofficial" on Exco and Legco, is revising her views proposing ministerial accountability.

None of these important people see themselves as politicians and they tend not to criticise each other, even in private. All say they are working for Hong Kong—a view heard equally strongly from sympathisers for Peking's viewpoint—and all express as much anxiety about mobilising public opinion in settling details of the new order as about China's true intentions and willingness to compromise.

China itself has shown most concern—some would say too much—about retaining the territory's "super-capitalists," evidently believing that if they leave confidence would completely evaporate. These businessmen show few signs of getting out yet. But skilled middle-class professionals are departing, which is worrying unless they are simply hedging their bets abroad before returning to Hong Kong once again.

As for Britain, the 1987 review represents a test of its intentions, though more over the question of direct elections to Legco than other issues. Given the Basic Law timetable, the pessimists feel this may be the last chance for the UK Government and the territory's people to influence materially and directly the transition to 1997.

This view is somewhat exaggerated. British officials strongly dispute that theirs will be a "lame-duck" government and Peking's representatives in Hong Kong concur. The success of the Joint Liaison Group so far would certainly support this view.

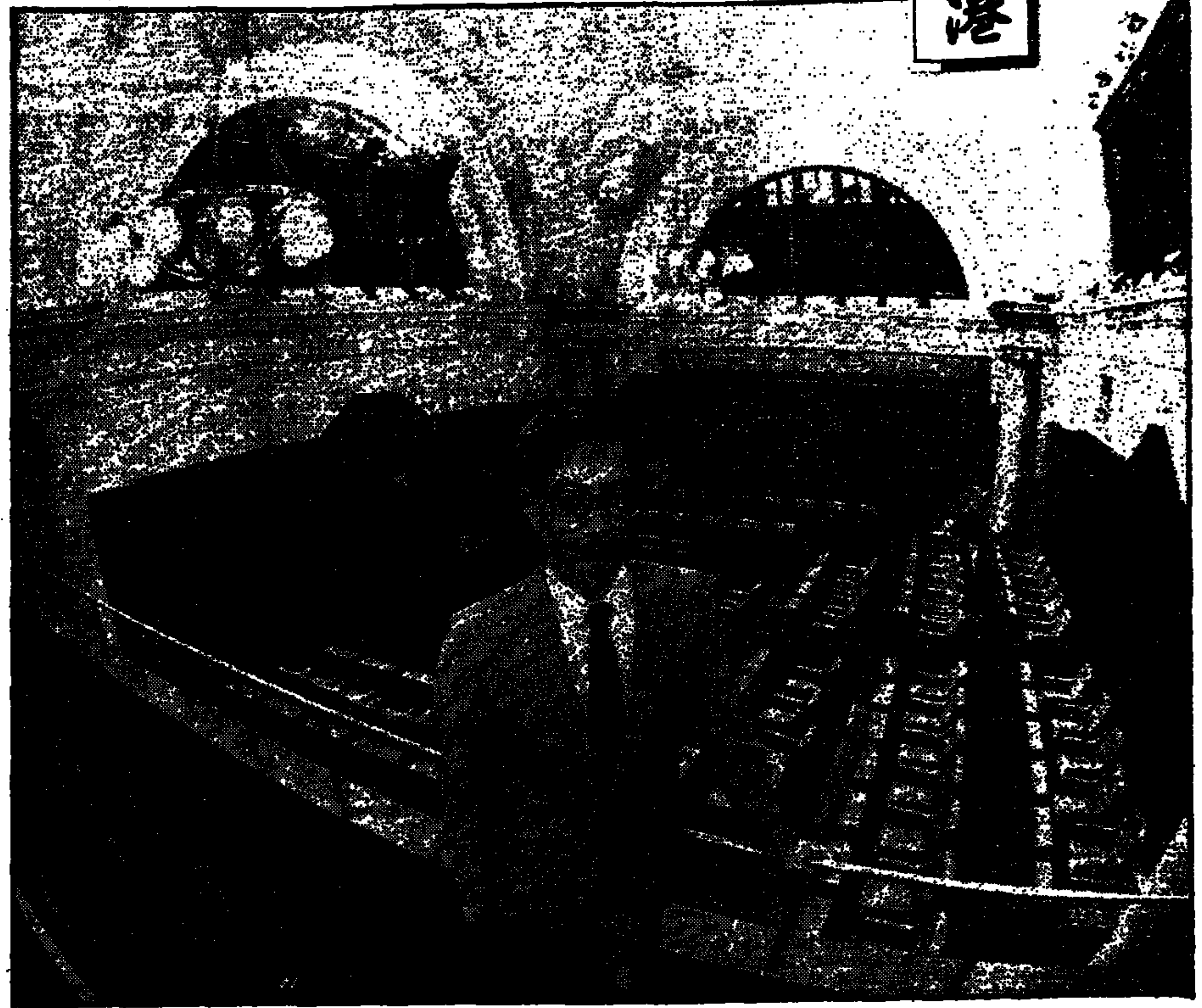
Its achievements, which point to more concessions by Peking, include Hong Kong's separate membership of Gatt (with other international bodies like the World Meteorological Organisation to follow) and an agreement on the workings of the all-important Land Commission, under which half the proceeds from the sale of agreed quantities of land will be held for the post-1997 administration.

China has also agreed to a form of words to be inserted in the passports of British Nationals overseas, which many Hong Kong residents will hold, confirming indirectly their right to live in Hong Kong. Meanwhile, the Joint Liaison Group is scheduled to be based permanently in Hong Kong from 1988—another reason why that will be an important year politically for the territory.

All this suggests that Britain, China and Hong Kong would have the greatest difficulty escaping their shared commitment to maintain Hong Kong's stability and prosperity for 50 years after 1997—until 2047.

But no one, in London or Peking, knows for sure what actually will happen. Never before have politics in Hong Kong been so interesting. All that can be said for certain is that the road ahead will be rarely straight, often detoured and always bumpy.

Chris Sherwell



Martin Lee QC, inside Hong Kong's Legislative Council Chamber. He has earned a reputation for being as strident inside Legco as in the Peking-linked Basic Law Drafting Committee

China calls in a banker

Profile of David Li, member of the Basic Law Drafting Committee by David Dodwell

DAVID LI was staying at the Richmond Hotel in Geneva when he was asked by China's most senior officials in Hong Kong whether he would join the Basic Law Drafting Committee. He insists that the request came out of the blue.

There is, of course, nothing odd in a rich, pleasure-loving banker being found in Geneva. Rather, it was an improbable place—and he an improbable man—to be called into the service of the Chinese Communist Government. It says much about the political pragmatism of the current Chinese leadership, Peking's keenness to preserve Hong Kong's prosperity, and the potency of claims against the patriotism of Chinese wherever they live in the world.

David Li is keen to make sure that no one makes the error of imagining he has turned pink at the edges: "The Chinese Government knows I'm a capitalist and that I am for Hong Kong."

No one could question his capitalist pedigree. He is the first to admit he was born with a silver spoon in his mouth. The Nam Wo Hong Trading Company, set up in Hong Kong early this century by his grandfather, made a fortune shipping rice between Vietnam and China.

The Bank of East Asia, set up in 1918, remains firmly in the family's hands and is one of the strongest and most respected family banks in Hong Kong.

David Li's own upbringing was more English than Chinese. His great great great grandfather—the youngest son of a concubine—was squeezed out of his home village of Hok Sam, north of Canton, over 120 years ago and the family has been rooted in Hong Kong ever since. David Li himself was born in London in 1939 while his father was working for the accountancy firm, Peat, Marwick Mitchell.

He went to school at Uppingham, studied for a mathematics degree at London University, and then went on to King's College, Cambridge, to study economics.

There is little in common here with his mainland compatriots who were at that time forging a Communist China after overthrowing the Nationalist Government of Chiang Kai-shek and repairing the damage done by Japanese troops who had occupied large parts of the country during the ruinous Sino-Japanese war.

David Li, director and Chief Manager of the Bank of East Asia: not turning pink at the edges

While the Chinese were undoing the damage of the Great Leap Forward, David Li was earning his way through Cambridge by selling second-hand bicycles to college freshmen, running a night club called "Nighties," and tantalising girlfriends by taking them for spins in his Riley or Daimler sports cars, rewards from his father for qualifying as a chartered accountant in a spare year between London and Cambridge. David Li is now a conservative and respected citizen, chairman of the Chinese Bankers' Association, a member of Hong Kong's Legislative Council, and among many other things chairman of the advisory board of the Salvation Army. He is probably as much changed today as most of his mainland Chinese contemporaries.

This is perhaps why he can sit comfortably on the Basic Law Drafting Committee and why he feels confident that Hong Kong can remain prosperous under Chinese sovereignty after 1997.

"I can understand people's anxieties but I think a lot of them are being whipped up," he said. "The Chinese and bending over backwards to accommodate people's concerns. They appear sensitive towards any criticism because they really do want to preserve the prosperity of Hong Kong."

David Li's bank has been active in China since the late 1970s. Its branch in Shanghai is one of the four foreign banks allowed to remain after the revolution in 1949. It introduced the US computer group IBM into China and arranged some of the first business deals between Taiwan and South Korea—neither of which has diplomatic relations with Peking—and China.

Trilease International, the associate jointly owned with Société Générale of France and the Bank of China, is active on the mainland in leasing business. It has worked with the Bank of China to introduce credit cards and automatic cash-dispensing machines in China. It has now established 2,000 encashment points across the country, concentrated in the main tourist areas.

David Li remains confident that not only his own bank but most businesses in Hong Kong are pivotally placed to link foreign businesses with opportunities in China. In a speech to the Financial Executives' Institute in Honolulu last October he insisted that Hong Kong had "a unique role to play" and that opportunities were "unlimited."

"Hong Kong will be the only international financial city on the 18,000-km long Chinese coast. In terms of providing international financial services the entire China modernisation programme will rely on Hong Kong alone," he said.

He conceded more recently, however, that these opportunities are more a part of the tantalising future than of present reality. "Business at present has to be built up slowly and it needs patience. It is still a small part of our overall business, but there can be no doubt it will grow larger. At present we are building bridges."

The Economy

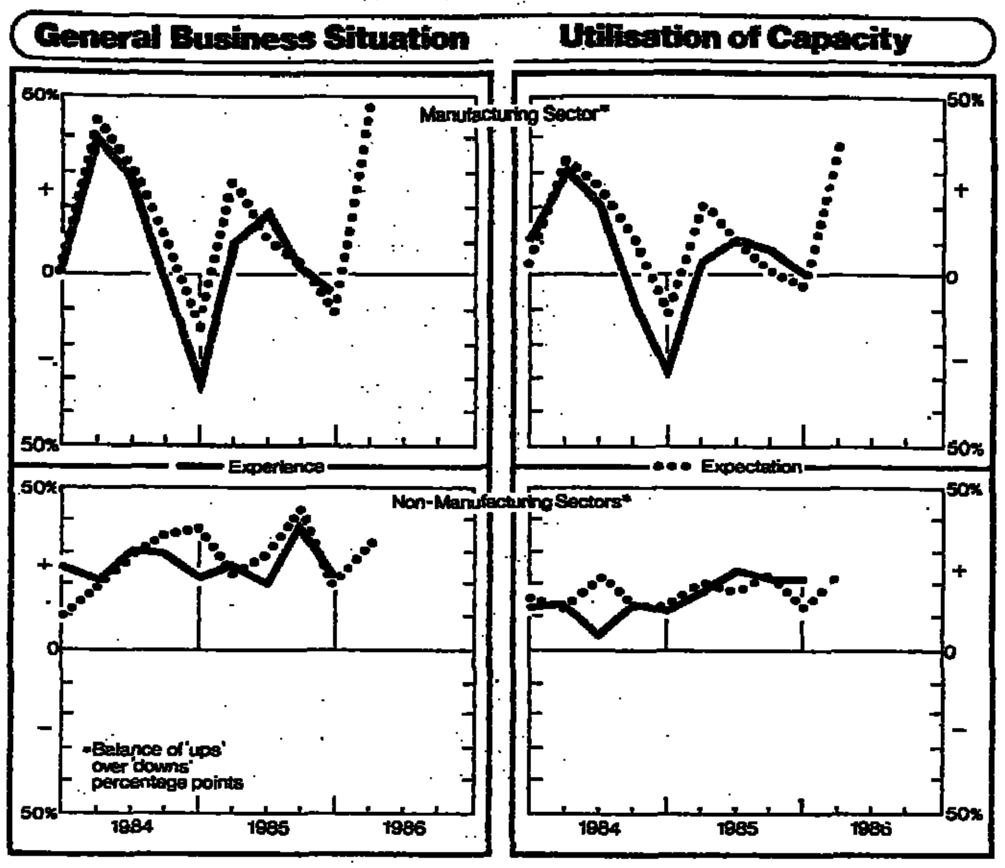
Future seen in high-tech ventures

IF Sir John Bremridge, Hong Kong's outgoing Financial Secretary, was forced to master the art of riding wild horses as the economy has bucked and reeled its way through political and economic turmoil over the past five years, then his successor, Mr Piers Jacobs faces a wholly different challenge.

He inherits a maturing economy that has reached the end of the era of exponential growth. The areas of its greatest strength—like the garment, or toy industries—have such a substantial share of world export markets that future growth is more likely to be steady than startling.

The years of breakneck growth in trade with mainland China—which insulated Hong Kong from the drab world trading environment—have also come to an end.

Since 1978, when Deng Xiaoping began the painful process of opening the country up to the outside world, Hong Kong's domestic exports across the mainland border have averaged 111 per cent annual growth. This is a trend that clearly could not last. Statistics showing a 20 per cent fall in exports between the first quarter of this year and that of 1985 also bear witness to cutbacks in China resulting from the rapid erosion of the country's foreign exchange reserves.



The statistics both understate and exaggerate Hong Kong's dependence on China. Visible trade is undoubtedly swollen by the large quantity of components transferred by manufacturers in Hong Kong to plants being operated in the mainland. These later emerge either as finished or partly-finished goods, and lead to simple double counting of trade flows.

On the other hand, the statistics do not measure the heavy investment in China by Hong Kong businessmen, and the equally heavy investment by mainland banks and businesses in manufacturing and services in Hong Kong.

Mr Jacobs' task of reshaping the economy, and readjusting expectations, is made more difficult by the nagging issue of 1997. Thousands of the territory's brightest and best educated people have at least half an eye on opportunities to secure a foreign passport. They are investing abroad when Hong Kong as an economy needs their investment at home. They are saving in case the transition to Chinese sovereignty goes sour rather than injecting cash into the economy to foster its growth.

If the statistics are to be believed, Hong Kong is at present a stagnant economy. Per capita gross domestic product contracted by 0.3 per cent last year, while exports slipped by 6 per cent. Investment, as measured by retained imports of capital goods, crawled forward by 3 per cent. Demand for bank loans remained slack. Add to this the collapse of five local banks, and two of the territory's leading shippers, and a thoroughly bleak picture could be painted.

Fierce protectionist sentiment in the US—which accounts for 44 per cent of Hong Kong's domestic exports—is certain to constrain growth prospects in the textile sector, and could easily spill over into the already-frail electronics sector.

Thankfully, these statistics alone do seem to lie. Unemployment is non-existent (at 3.2 per cent). Manufacturers report orders in hand between four and five months. Inflation is a mere 2.6 per cent. The stock market has been touching record levels—in line with other exchanges overseas—since April.

The Government generated a budget surplus of HK\$1.2bn, while a visible trade surplus of HK\$3.7bn was recorded—the first in decades.

A 15 per cent fall in the trade-weighted value of the Hong Kong dollar since May last year has aided export competitiveness. The rising cost of yen-denominated imports has been offset by the falling price of oil, and of goods imported from China. Forecasts of 8 per cent export growth this year no longer seem unreasonable. Nor do predictions of gross domestic product growth of 5 per cent or better.

The conundrum is at least partly resolved by examining Hong Kong's services sector, which has grown steadily as Hong Kong's manufacturing industry has declined. While tourism and the hotel industry have been buoyant, so the port has been running at full capacity.

Strong foreign investment in trading companies, and companies providing a wide range of financial services, have also absorbed labour shifting out of the manufacturing sector. So between 1981 and 1985, employment in services rose by 29 per cent, from 597,500 to 769,000 at a time when manufacturing employment fell by 10 per cent from 943,000 to 849,000. The surplus on invisible trade—which reflects the buoyancy of the services sector—amounted to HK\$14.5bn last year. Some have talked of this shift away from manufacturing and into services as inevitable and good. Among those sounding a more cautious note is Mr Vincent Cheng, chief economist for the Hongkong and Shanghai Banking Corporation:

"We have to rely on manufacturing. It provides the largest value added, and has a strong employment generating effect," he notes: "It's silly talking of Hong Kong becoming a services centre if you don't have a substantial manufacturing core to make demands of the services."

Economists at the Hang Seng Bank, reflecting a similar concern, recently called for a new industrial transformation of the economy, saying this was "essential to the longer term growth momentum of the economy."

They note that the contribution of the services sector to the economy has grown from 63 per cent in 1971 to 73 per cent at the end of 1984, while manufacturing has declined from 28 per cent to 25 per cent over the same period. This is natural in a maturing economy, they say, but point out that services—unlike manufactures—do not generate foreign exchange on a scale sufficient to meet the needs of an externally dependent economy like Hong Kong.

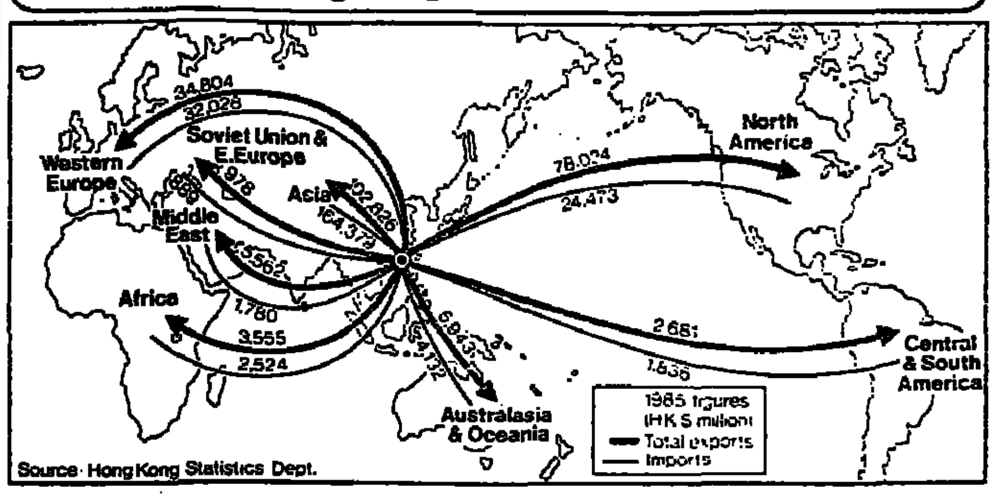
"Stagnation in market penetration and product development probably indicates that Hong Kong's industrial base has reached a stage where its competitive advantage is weakening," they say.

They reach the provocative conclusion that Hong Kong's entrepreneurs must find this second industrial transformation in high technology "tripartite ventures," that would involve local manufacturers, foreign capital and expertise, and mainland Chinese participation. Implicit is the need for local entrepreneurs to modify their longstanding urge to make small capital investments and expect a full return within three years. Such a transformation would call for large-scale capital investment, heavy and long-term commitment to research and development, and lengthy payback periods.

With 1997 just 11 years away, it may be asking too much of local entrepreneurs to undertake such an uncharacteristic change. Mr Jacobs' performance may nevertheless in the end be measured by whether he succeeds in coaxing them round. It may not make such good theatre as Sir John Bremridge riding wild horses, but it can be no less important for the future of the economy.

David Dodwell

Hong Kong's overseas trade



Source: Hong Kong Statistics Dept.

Trade

Longer-term hopes stay with China

IT SEEMED a normal weekend. The newspapers were spreading gloom with reports of more protectionist legislation wending its way through the US Congress.

But at the same time officials of the Hong Kong Trade Development Council, armed with the latest encouraging export and order figures, were sailing confidently out into Hong Kong's magnificent harbour. Their boat was filled with a dozen top executives from some of Europe's biggest retailers and mail-order companies.

It was business as usual after a year in which the territory's domestic exports, long regarded as its single most important economic indicator, registered a decline for the first time in more than 25 years. Year-on-year by value, the fall was an unprecedented 6 per cent.

But the mood aboard the boat was: "Damn the prophets of doom, they are always around. Hong Kong exists to sell and must sell to exist, and we can still do that."

Indeed, there are growing indications that 1986 will be no repeat of 1985, when an expected strong expansion of the US economy did not materialise but an unexpected clampdown by China on imported consumer goods did.

Air cargo is again on the increase and space on container ships is said to be growing scarce. Electricity use for manufacturing is up and the big expansion in service industries began when China opened its doors eight years ago appears to be continuing. Organisations like the American Chamber of Commerce and the British Trade Commission report that more foreign businessmen than ever are visiting the territory.

Domestic exports at HK\$29bn were 1 per cent higher in the first quarter than a year earlier, suggesting, the Government says, "that the decline experienced during most of 1985 has stopped." And preliminary figures for March and April indicate a possible return to Hong Kong's traditional double digit export growth.

Domestic exports for the two months were about 22 and 18 per cent higher respectively on a year earlier, with re-exports performing substantially better. Suddenly, the Government's budget forecast for 8 per cent growth in exports this year looked more than just a possibility.

Most importantly, order books are lengthening in key sectors: notably clothes and textiles, electronics, and plastics, the last closely linked to toy exports.

Figures for March suggest substantial orders running to six months ahead, and many individual manufacturers say the situation is even better now. Two leaders in their fields, one in knitwear and the other in fashion jewellery, say orders on hand mean their factories will be working at virtual capacity until the end of the year.

The main reason for the improved outlook, in addition to some improvement in the US economy and stock replenishment there, is the depreciation of the Hong Kong dollar against its major competitors for the US market, which takes well over 40 per cent of the territory's exports.

The Hong Kong currency is pegged to the US dollar and therefore has remained stable in relation to its predominant market, while the currencies of competitors such as Japan, Singapore and Taiwan have appreciated markedly during the US dollar's decline. A similar, though less dramatic, relationship with Europe has also encouraged Hong Kong exports.

On the debit side, however, the depreciation of the HK dollar has meant rising costs of raw materials, especially from Japan, where the yen has risen 40 per cent against the Hong Kong dollar.

It is often forgotten that Hong Kong's labour costs are second in Asia only to Japan. It is remembered even less that Hong Kong has no indigenous basic materials and therefore is a major importer as well as an exporter. Imports from Japan alone last year were worth HK\$53.4bn.

"For every \$1 worth we sell to Japan, we were buying back \$10," says Mr Michael Sze, a deputy director of Hong Kong's Trade Department. "Now that has reached \$14."

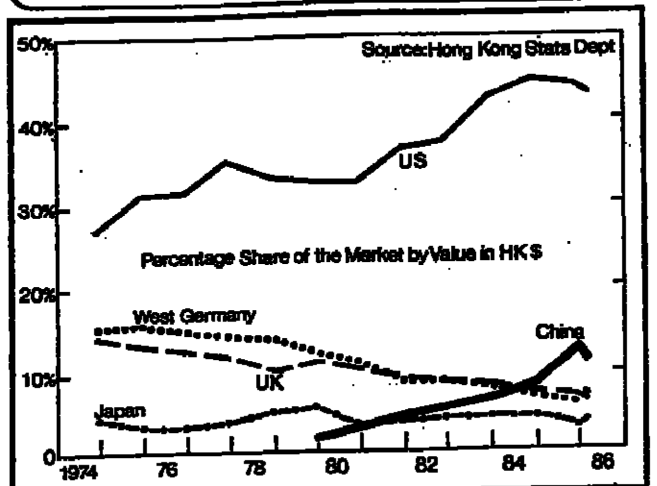
The territory's manufacturers

Continued on Page 4

Long-term hopes stay with China

Continued from Page 3

Where the Exports go



are reluctant to discuss their sources of raw materials, components and high-tech machinery, but it is clear that there is a scramble for alternative sources coupled with a drive to gain greater access for their products in other Asian markets.

Economists argue that Hong Kong must reduce its dependence on low-growth OECD countries and move into the buoyant Pacific markets. But this, as greater economic powerhouses than Hong Kong have discovered, is easier said than done because of protectionism in the region.

Meanwhile, Hong Kong will remain tied to the US and continue to pin its longer-term hopes on China. This is why the growing protectionist mood in the US sends shudders down the spines of almost everyone in Hong Kong whether government leader, bank chairman, small shareholder or worker in one of the territory's 50,000 small factories, virtually all of which are exporters.

The recent US campaign to persuade Hong Kong to "voluntarily" accept greater restrictions on clothing exports led to a despondency throughout the territory's manufacturing industry. This feels that, while the US Administration is committed to freer trade, it may be powerless to stem the protectionist trend in an election-bound Congress.

With nearly 20 omnibus trade Bills pending in the US legislature, the fear is that Congress may be bent on taking away trade authority from the Administration.

"There is a feeling of helplessness," said one top industrialist. "With our dependency on the US, we generally have to fall in with whatever they say. The US, so far as Hong Kong is concerned, is one big buyers market."

With China, however, the mood once again—on the trading position if not entirely on the political front—is one of optimism for the longer-term. After the dust settled from last

Deputy Director of Trade Mr M. C. C. Sze

year's foreign-exchange clampdown, Government and traders alike have realised that, in their euphoria, they had overlooked that a trade boom on 1984's scale could not have been sustained. Exports by value were then up 81 per cent and re-exports by 130 per cent.

For 1985, China had still offset some of the growing problems with Hong Kong's traditional markets. China remained firmly the territory's second largest market, taking 12 per cent of its domestic exports worth HK$15.2 bn (up 35 per cent), and 44 per cent of re-exports worth HK$46bn (up 64 per cent).

While first-quarter figures for this year show a decline on a year earlier (exports down 20 per cent and re-exports 33 per cent), they are well up on 1984 (58 and 68 per cent).

"We are back to a more realistic relationship," Mr Sze said, "The feverish activity of a year ago was simply unsustainable, when Toyotas would arrive in Hong Kong money exchanged on the dock, and the cars driven across the frontier into China."

There are, however, conflicting opinions on China's foreign exchange position. Some bankers believe the country's reserves position to be worse than it seems, distorted by including some borrowings which could be considered liabilities. Others believe the overall position is better than publicly portrayed.

"Part of China's holdings were in sterling and Deutsche Marks, which were converted back into dollars," said the chief economist of one bank "Their reserves might be down US$2.5 bn but are still a healthy US$13bn."

The fear is that China could be forced to take more stringent measures to control imports later this year. Hong Kong officials and businessmen in regular contact with their mainland counterparts report what is sometimes described as an "obsession" with avoiding "Latin American debt status" and "getting into hock with capitalist countries."

Otherwise, the general feeling in Hong Kong is to agree with Mr Sze and the Trade Development Council that business is back to normal. In the past year Hong Kong became an independent member of the General Agreement on Tariffs and Trade (Gatt), and according to company executives, those businessmen who were preoccupied with uncertainties over the territory's reverting to Chinese sovereignty have already done what they can.

"Whenever there is any uncertainty the intelligent businessman protects himself," said Mr T. W. Wong, Deputy Director-General of the Federation Hong Kong Industries. "He will diversify his assets. In Hong Kong we have been doing this since day one.

"The businessman asks himself if he wants to be part of this new China. Almost always the answer is 'yes.' They see the potential. They say: "We are Chinese just like them, and we can see what we can do'."

Larry Klinger

Invisible Trade

Services sector exports grow

HONG KONG'S exports of services are playing an increasing role in the territory's fortunes. And Hongkong Bank sees the expansion continuing. In an economic report, it says: "Given the long-term objectives of China's reform the further prospects of growth in Hong Kong will increasingly depend upon the continued expansion of the services sector."

The Government is conducting a survey on the export and import services for 1985. Provisionally, it believes that the invisible trade balances in 1984 and last year were around HK$14.5bn, more than 20 per cent higher than in 1983 and about three-and-a-half times what it was 10 years ago.

While Hong Kong must for some time continue to rely on its bedrock export and re-export of manufactured goods and basic materials, which last year totalled more than HK$235bn, invisible trade was able to amply offset a visible trade deficit of HK$3.4bn in 1984 and, again last year, boosted a visible trade surplus of HK$3bn to an unprecedented overall surplus of more than HK$17bn.

Moreover, economists believe that the expansion in services, prompted by China's outward-looking economic programme, is largely responsible for keeping the territory's unemployment rate down to only a little more than 3 per cent.

Jobs in manufacturing dropped from about 940,000 in 1981 to 850,000 last year, and employment in construction fell from about 83,000 to less than 65,000. This, however, was more than made up for by the increase in the services sector, from about 600,000 jobs in 1981 to more than 740,000 today.

In terms of wages, the services sector is also leading manufacturing. Wage levels in the latter have remained little changed in real terms over the past five years, whereas in the service and distribution sector payrolls per person have increased by 20 per cent.

However, some economists and business leaders caution against expecting too much from the services sector. They warn that, should China feel the need to retrench further in line with its recent clampdown on foreign exchange, the Hong Kong services industries might be among the first to feel the pinch.

Mr S. K. Chan, executive director of the Hong Kong Productivity Council, told a careers seminar organised last month by the Hang Seng Bank and the Hong Kong Association of Career Masters that Hong Kong had to be very careful indeed not to let its manufacturing industry decline.

"If manufacturing declines," he said, "it will create consequential ripple effects on all other sectors. It is the main exchange earner for Hong Kong, and upon it everything depends."

He said that China's recent foreign exchange curbs were already a limit on the future growth rate in services and that fears of office job losses because of automation were well-founded. On the other hand, production workers would be less affected since displacement of production jobs by automated equipment "will at least initially be offset by the increased investment demand for all sorts of capital goods, such as computers."

For the immediate future, however, the Government is cautiously forecasting 9 per cent growth for the net export of services this year. It says in its report on economic prospects for 1986 that, because of the expected growth in merchandise trade and the number of visitors expected to visit Hong Kong, "it is likely that the major components of the service sector, including transportation services, travel as well as financial services, will show a strong positive contribution to Hong Kong's GDP growth."

In 1984, wholesale and retail, import / export trades, restaurants and hotels were estimated to have accounted for 21.5 per cent of GDP, transport, storage and communications for 8.3 per cent and financing, insurance, real estate and business services for 15.9 per cent.

Larry Klinger

Export of Services

	1980	1984*
	(HK$m)	
Transportation	12,527	22,904
Travel	6,529	14,032
Insurance	594	968
Cinema/television film/programme production and distribution	219	472
Hotel management	27	88
Advertising and marketing research	114	298
News transmission	173	392
Financial assets dealing and broking	†	844
Adjustment for import shipment	656	1,115
Banking services	500	1,507
Others	864	1,735
Total	22,203	44,355

*Provisional
†[illegible] and included in "others."
Source: Hong Kong Department of Statistics.

Textiles

Why Ramie spells trouble

UNTIL A year or so ago few people had ever heard of *Boehmeria Nivea*, or, outside Asia, even of its common name, "ramie."

This Asian shrub, belonging to the nettle family, is not only very much part of what fashionable Americans wear, it has become central to a dispute between the US and several countries which in turn could well affect the run-up to a new round of world trade negotiations under the auspices of the General Agreement on Tariffs and Trade (Gatt).

Ramie is certainly the most emotive word in the vocabulary of Hong Kong's clothing and textiles industry, whose use of the plant's fibre has ensured continued high-level sales to the US but at the same time brought down the wrath of the US Government for doing so. Ramie has become synonymous in the industry with "US protectionism," which is undoubtedly its biggest threat.

The issue is complex but can be boiled down to this:

Hong Kong's overall volume sales to the US involving traditional cotton, wool and man-made fibres are strictly limited by the Multi-Fibre Arrangement (MFA), the agreement which governs world trade in clothing and textiles.

Hong Kong, especially as a relatively high-cost producer, therefore strives to find ways of maintaining sales with innovation in products and to increase profits by moving up-market in value.

Ramie was one answer. Not only is it, with silk and linen, not subject to MFA quota, it proved very successful as a new product. Blended, usually at about 60-40, with wool, it produced knitwear with a "real sweater look" that was also cool enough to be worn into the late US spring and even early summer. Sales boomed.

While the industry's overall exports to the US last year were only about equal in value to 1984 (HK$24.8bn for clothing against HK$23.6bn, and HK$809m for fabrics against HK$949m), increased ramie exports were clearly responsible for maintaining the performance.

According to the US Department of Commerce, US imports of Hong Kong clothing based on ramie may have increased in volume by about 100 per cent. The Hong Kong Statistics Department says that clothing exports, excluding cotton, wool, man-made fibres, silk and fur, rose to HK$4bn from HK$2.7bn.

The US Government, under pressure from its ailing domestic industry, then sought a "voluntary" three-year freeze at 1984 trading levels on imports from Hong Kong and other Asian suppliers such as Taiwan and South Korea, unprecedentedly including non-MFA products in its demand.

The move followed one a year earlier involving a unilateral revision of US customs rules curbing the import of Hong Kong clothing, again mainly knitwear, that was made from basic materials produced with cheaper labour in China. This forced the Hong Kong industry to spend about HK$400m last year on imported, computerised machinery to do all the work at home.

"There is a feeling of helplessness," says one Hong Kong clothing manufacturer.

An Asian shrub belonging to the nettle family has become central to a dispute between the US and several countries which could affect the next round of Gatt talks

"We can only keep trying to show them that we are not competing unfairly with their industry, only meeting a demand which they, for Heaven only knows what reason, cannot meet themselves.

"Hong Kong is a free market, yet we must always fall in with whatever the US Government decides. It is always for political reasons, never really commercial. It is simple, brutal protectionism. But it's a buyer's market."

The US is the world's largest single market for clothing and textiles and its importance to Hong Kong cannot be underestimated. The US takes about 44 per cent of all Hong Kong exports, and of those, 35 per cent are clothing and another 5 per cent are textile products. The industry employs about 42 per cent of the territory's total industrial workforce, with clothing alone the largest single sector within manufacturing.

While the Reagan Administration publicly maintains that Hong Kong's success in the US is the cause of "serious problems" officials admit privately that the problems are more political than purely industrial, as publicly claimed, and that for Hong Kong and others to agree to "co-operate" now is in everyone's interest since only some demonstrated success by the Administration on limiting imports might stem the more serious protectionist drive in the election-bound Congress.

They emphasise the scheduled August vote in Congress on whether to override the President's veto of the notorious Jenkins Bill, which would reduce Hong Kong's quota-controlled clothing and textile imports by around 12 per cent and non-quota imports by up to 70 per cent.

They also suggest that with Asian co-operation the Administration might be able to be more accommodating in the current Geneva talks aimed at establishing a new MFA after the current one expires at the end of July.

Hong Kong's inclination is to remain firm, while knowing that some compromise with the US must be reached. There is a growing belief that Congressional support for the Jenkins Bill has peaked with the realisation that major casualities could be US retailers and consumers (all voters) if a virtual monopoly is handed to the domestic industry.

But a dangerous game is being played by both sides. To underestimate the threat of the Jenkins Bill and the myriad other ominibus trade measures before Congress could prove disastrous for the Asian producers. If the US Administration beats the Asian suppliers with too big a stick now it might wreck the chances of putting together a new MFA in time to create an acceptable world climate and enable a new Gatt round to be launched this autumn, as the US wants.

Concern remains that confidence within the industry is still being undermined by uncertainty over Hong Kong's return to Chinese sovereignty in 1997, and there are fears that the industry is reinvesting only for the short term.

The manufacturers deny this. They say the reason few new factories are being built is that their current problem is not to raise output but to improve quality and efficiency with the latest machinery, which they are buying.

They also say that the recent trend of setting up factories in other countries is not because of political fears. It was first to expand beyond the quota limits placed on Hong Kong and secondly to take advantage of official incentives provided for creating employment in less developed countries.

"This should be a good year for Hong Kong, if the Americans are not too silly," said a leading knit-wear manufacturer. "The irony is that the success of ramie is due to the Americans. A couple of US retailers, after market research, took the gamble and the sweaters simply took off."

Larry Klinger

The Chan dynasty still expanding apparel empire

Profile of Yangtzekiang Garment Manufacturing Co with an annual turnover of HK$650m. Larry Klinger reports

SAN PO KONG is out past Kai Tak airport, deep within Kowloon's jungle of 30,000 factories. A picture of the place can be conjured up by imagining Manhattan as a mixture of its own garment district and Chinatown.

One grey, drizzling dawn late last month, while the receptionist at the Yangtzekiang Garment Manufacturing Company was explaining the location of the executive chairman's office, one of the many people darting through the foyer paused to ask if he could help.

Standing in suspended animation, like a sprinter on the starting-blocks but with a jacket over one arm and a bundle of files under the other, he said he was the executive chairman, Mr S. K. Chan.

His office was rather more relaxed. Despite frequent phone calls from overseas and sheaves of pink telexes being almost constantly carried in and out, the pictures of his eight grandchildren had a calming effect. The China tea also helped.

Yet eight grandchildren seemed quite a number for a man as young as Mr Chan. "Nineteen-eighty-six is the Year of the Tiger and I was born in the Year of the Tiger," he said. "So you should know my age."

One did know that the animal years come round in twelves, and on appearances Mr Chan could not have gone beyond 48. But with eight grandchildren the only possible answer was 60. "That *was* very good," he beamed.

Yangtzekiang Garment Manufacturing Company is one of Hong Kong's biggest apparel makers and retailers, with an annual turnover of more than HK$650m. It started as a family concern and has remained very much so.

"Look," said Mr Chan, opening the company's latest annual report to the board's members. The managing director was a son, the two deputy managing directors were a son and a nephew. Three other directors were a daughter and two more nephews. Counting Mr Chan, seven of the 13 board members were family.

The Chans migrated to Hong Kong from Canton in 1938, fleeing the Japanese invasion of China. "We somehow got through the war," Mr Chan said. "In 1949 my brother and I founded the company. We had 50 sewing machines and about 60 or 70 people."

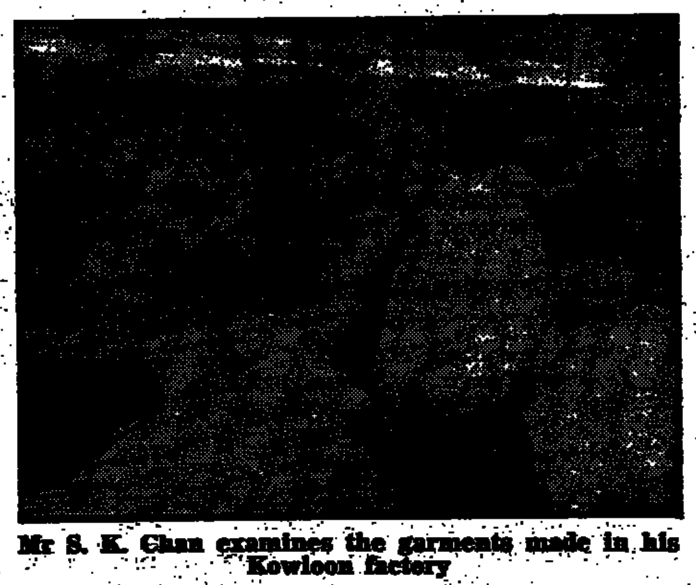
Yangtzekiang now employs 6,500 people in Hong Kong alone, where it also has more than 30 retail outlets. It specialises in making shirts, suits and jeans for some of the world's biggest retail organisations and under big-name licence for the South-East Asian region.

Company literature bristles with labels such as Klein, Cerruti, Cacharel, Van Heusen, Saint Laurent, Arnold Palmer and Christopher Hayes.

Yanktzekiang has also set up factories in Macao (1960), where about 1,000 people work in the largest operation of its kind in the Portuguese colony, in Singapore (1964) and in Malaysia (1970). It recently launched a joint venture in China, comprising a suit factory in Canton and a spinning and weaving mill near Shanghai.

Its latest venture was the pioneering move this year in opening a factory in the UK, a step others have followed. Taking advantage of grants aimed at increasing jobs in depressed regions worth £3,000 per worker employed, Yangtzekiang has invested £1m in a Liverpool factory whose main aim is to gain quota-free access to the US and duty-free access to the EEC.

Protectionist problems like



Mr S. K. Chan examines the garments made in his Kowloon factory

quotas and duties appear to be about the only topics able to affect Mr Chan's affability. Up from his chair, down the corridor, in the lift to a clattering packing room, picking up a Christopher Hayes shirt destined for Macey's, he said: "This has a sale price of about $30 in New York and sells well against the best US name-brands going for $20 or $25.

"It may sound ironic, but Hong Kong is now the place with the quality. Unfortunately, there is a limit to where we can go with quality. Too far up-market and the market can get very small."

Hong Kong might be able to sell a bit more to Japan, but as we know, the Japanese were reluctant to go outside and, if they did, were more likely to try South Korea and Taiwan. After all, they were former colonies where Japanese was still spoken.

South America and Africa were not really going to get their acts together as markets and Hong Kong products were already too costly to compete with China in the Middle East.

His fear was that, without a change in attitude to sustain growth may have peaked; and it was only economic growth that could improve Hong Kong's living standards.

"We are now a high-cost producer. But we have proved that we can compete fairly. Look at the US. They talk about free competition but they are right now trying to extend textile quotas to the few areas where they never existed.

"If they are successful, I'm afraid the EEC, while still criticising the Americans for protectionism, will follow suit on another pretext."

Back in the office the grandchildren's pictures and more China tea worked their magic. The current year would not be bad, said Mr Chan. The US economy was picking up and the depreciation of the Hong Kong dollar against European currencies augured well for sales.

But time present was not quite like times past, when a man could hardly go wrong in business if he had any good sense at all. Yangtzekiang's growth from a little to a great deal was due entirely to the wonders of Hong Kong. Being a hard worker and a clever entrepreneur only helped a bit.

"It was impossible for us not to grow," Mr Chan said. "Only 20 years ago Hong Kong's textile exports were worth HK$2.6bn and now they are 20 times that at HK$52bn.

"The reason I remember the figures so clearly is because I used them in my speech to the textile lunch when the Hong Kong Bank building opened and all the retired Old Guard had returned from around the world."

Toys

Tougher to stay top of the pack

FOR NO FEWER than 14 years, Hong Kong has ranked as the world's largest toy exporter. Toys stand behind only fabrics, garments and electronic goods as the territory's biggest industry and its most successful export — and that is according to a categorisation which does not classify electronic games as toys.

Yet, despite these remarkable achievements, Hong Kong has recently been learning some of its limitations. At a major toy fair in Tokyo last month, Taiwan and South Korea stole an obvious marketing march on Hong Kong simply by producing catalogues in Japanese. At home, higher labour costs have been driving production to the Chinese mainland. And old-style subcontracting for overseas brand manufacturers is becoming riskier.

This does not mean that Hong Kong's toy industry is stagnating. Last year did see a disappointing contraction in exports after a strong performance in 1984, when overseas sales hit a record HK$11.5bn. But export growth averaged 23 per cent annually over the 1980-84 period.

Last year was, anyway, an unusual year. The US, by far the world's most important toy market, had picked up, and the famous Cabbage Patch dolls had captured American hearts. The market is also sensitive to currency fluctuations, another reason why 1985 was disappointing and 1986 is showing a recovery. According to one forecast, exports could rise in value 15 to 20 per cent this year.

More importantly for the Hong Kong industry, local manufacturers are starting to move ambitiously into design and marketing. Next month, for example, Playmates is launching a remarkable new doll called Cricket in the US market, the first it has designed and marketed. Cricket has moving eyes and mouth and makes conversation with its owner through 12 different tape recordings. Designed as a companion, it has several, outfits and can play games as well.

Since the company started out in 1966, Playmates has been involved chiefly in subcontracting work — it helped produce the Cabbage Patch dolls for Coleco, for example, and its main line has been the famous Barbie Doll for Mattel of the US. In 1984 these two lines virtually cleaned out the US doll market.

Another Hong Kong company, Universal has followed a different path. It is now quoted in New York, having taken over Britain's Matchbox toys in 1982. The brand name is a major advantage in places like Japan, and its Voltron range of diecast robots was one of the top ten toys in the US last year. Once one of Hong Kong's largest subcontractors Universal too has moved into the design and marketing of its own toys.

One factor encouraging such "vertical integration" in the evident riskiness of subcontracting work. One of the best-known contractors in Hong Kong is Kader International. It and others have discovered just how difficult it is to improve earnings when production agreements spell out gross profits and orders can be cancelled because particular ranges — in fact the majority — fail.

The more important point, however, is that the toy industry is finding it more difficult to compete and show flexibility — hitherto one of its greatest assets. A problem for the future, for example is the prospective loss of trade privileges with developed countries under the Generalised System of Preferences. Manufacturers may choose to export from places like Thailand or Sri Lanka in order to retain those advantages.

More immediately, it is apparent that, without China on its doorstep, offering labour at around one-quarter of Hong Kong's rates, the territory's flexibility could not have persisted as long as it has, and the toy industry would not be where it now is. The trade-off is simple: China offers land and labour, Hong Kong's manufacturers supply plant and technology. Unfortunately statistics documenting the scale of the shift do not exist.

Kader first moved some production into China in 1980. It now has six plants there producing half of its output. Playmates is using China to produce hair for its Cricket range. Others are doing the same sort of thing, and this is one reason why China has emerged so prominently, if misleadingly, in Hong Kong's toy export statistics.

Universal, which has five factories under its supervision in China, is meanwhile engaged in a fresh development for the Hong Kong industry, with a joint venture in Shanghai which will produce for the local market. It has 35 per cent of the venture, and it started production a year ago — just 16 months after it was agreed.

The one foreign market Hong Kong's toy industry would most like to crack is in Japan. Its efforts have concentrated on the acquisition of the "Safe Toy" or ST mark, but each sign of progress fails to take exporters closer in practice to their goal.

Back in 1984, after a meeting of Japan's Ministry of International Trade and Industry and Hong Kong's Governor, it was finally agreed that Hong Kong design laboratories could test local products for compliances with ST standards. Acceptance of the laboratories was regarded as a breakthrough with the Japan Toy Association, which had previously resisted the idea, but then two more problems surfaced.

One was the need for a domestic Japanese "trustee" to whom consumers could appeal in the event of dissatisfaction, accident or injury. Eventually it was accepted that this institution could be located in Hong Kong rather than Japan, and this was another concession. However, because this institution would only act as a reference point, the question arose of insurance to be taken out by Hong Kong producers for awards against them. This is still being discussed.

A second, more serious problem was the matter of a licence fee for the ST mark. The Japan Toy Association's charges on Japanese toy makers amount to one per cent of total production covered by the mark and ten per cent of total production not sold in Japan. For Hong Kong manufacturers producing principally for export, this represents an impossibly high demand.

The whole affair has caused the Hong Kong industry and government officials to wonder whether it is all worth it. The Japanese market remains small compared to the US, while Europe is less difficult to deal with. On the other hand Japan is a rich country and a potentially valuable market, if an irritatingly difficult one.

Upmarket Hong Kong toymakers see the matter as irrelevant, since the mark itself is voluntary. While acknowledging that discriminating Japanese consumers do look for it, they say that a good quality product, preferably one with a known brand name, can succeed in Japan on its own merits.

That said, Hong Kong's 2,300-odd toy factories, having got well beyond the status of Third World producers receiving complaints about toxic paints or unsafe toys, can still expect to face intense competition everywhere, and especially from similarly aggressive countries like Taiwan and South Korea. Its Number One world export ranking will thus remain under constant attack.

Chris Sherwell

Right: On the assembly line at the Kader Industrial toy factory. Above: Chairman Dennis H. S. Ting with some of the electronic soft toys produced by Kader Industrial Company.

The Wizard of Toyland

Profile of David Yeh, head of Universal Matchbox group, listed on the New York Stock Exchange

David Yeh, chairman of Universal Matchbox Group, with some of his best sellers

A LOCAL magazine called him "The Wizard of Toyland", but he might be better known abroad as the man who salvaged Britain's Matchbox toys manufacturer in 1982. His name is David Yeh, a trim, youthful-looking 56-year-old Shanghai-born Chinese who trained as a banker but found it so dull he moved into business.

In 22 years in toys he has taken his company, Universal, from a simple dolls' dressmaking concern to an integrated design, production and marketing corporation with a public listing on the New York Stock Exchange. Like few others, he represents the future of Hong Kong's world-beating toy industry.

Universal Matchbox Group, as the company is now known, had a turnover last year of US$240m. Back in 1981 the figure was US$82m, and Mr Yeh forecasts US$350m in two years' time. But to be a major force, he says, Universal should be a US$500-600m company, "so we'll need an acquisition". No target has yet been selected.

Universal's big profits earner last year was Voltron, a multi-coloured dismemberable robot based on a children's television show. It reached the top ten most popular toys in the US, and contributed 43 per cent of 1985 gross profit and 34 per cent of turnover.

These proportions are expected to decline in 1986, when new products like Robotech and Babycise are marketed. Babycise, based on an infant exercise programme, marks a move down the age scale for Universal. It is designed, manufactured and marketed by the company, unlike Voltron, which strictly speaking was a Matchbox product.

Also under production are motorised forms of the classic Matchbox miniature vehicles, which in turn represent the group's core business. Indeed, it is clear that the company has benefited enormously by the brand name, and that Mr Yeh has come a long way since deciding not to follow his father's footsteps into banking. "I'm basically a businessman," he says of the shift. "My hobby is to make money."

He began in the toy business in 1964 by leasing sewing machines to make dolls' dresses. It was a highly labour-intensive operation in which the employment of ever-greater numbers of workers produced ever-rising returns. "From sewing," says Mr Yeh, "we went to die-cast — then wood, then dolls, then plastics."

For 12 years Universal was manufacturing under contract for the big toy companies abroad. This is the classic activity of the Hong Kong toy industry, regarded by some as the safest though not by Mr Yeh, who says the business is too easily at the mercy of a particular toy's success or failure.

The big change came in 1977, when Universal merged with a Chicago company, and in 1978 when it acquired a 53 per cent stake in LJN Toys, a manufacturer in New York state. But it was the Matchbox purchase which brought Universal to prominence. Mr Yeh says that "bringing it back to its prime" was "greatly satisfying".

Matchbox's former owners, Lesney, went bankrupt in mid-1982. Universal, recognising the urgency, stationed its board in London and beat the likes of Mattel and Fisher-Price to acquire Matchbox from the receivers for £16.5m.

At that point, only two of Matchbox's 13 factories were still in business, in Hackney, London, and in Rochford, Essex. They employed 3,000 people, but with costs around 100 per cent higher than in Hong Kong they were simply failing to compete.

Mr Yeh shut down Hackney's Matchbox miniatures plant and moved its operations to Macau, the Portuguese outpost near Hong Kong. The Rochford operation was cut back, but it remains in business producing more bulky items like model kits and pre-school toys. Even now, Matchbox remains the largest toy manufacturer in Britain.

More importantly, it has turned the corner. After its losses were trimmed in 1983, the Matchbox line came close to breakeven in 1984 and in 1985 it made US$6.5m. Matchbox's previous best year saw a profit of £10m, according to Mr Yeh

By last year Universal realised it made sense to sell LJN Toys. Although it contributed substantially to profits, the philosophy of LJN and Matchbox was different, according to Mr Yeh, and the communications group MCA was a willing buyer in a deal which gave Universal a profit of US$17.6m

LJN, whose turnover had risen seven-fold to US$60m by 1983, is said to have gone on to still better things under its new owners. For Universal the sale allowed it to reduce its indebtedness and undoubtedly helped gain the New York listing in April this year, 11 months later.

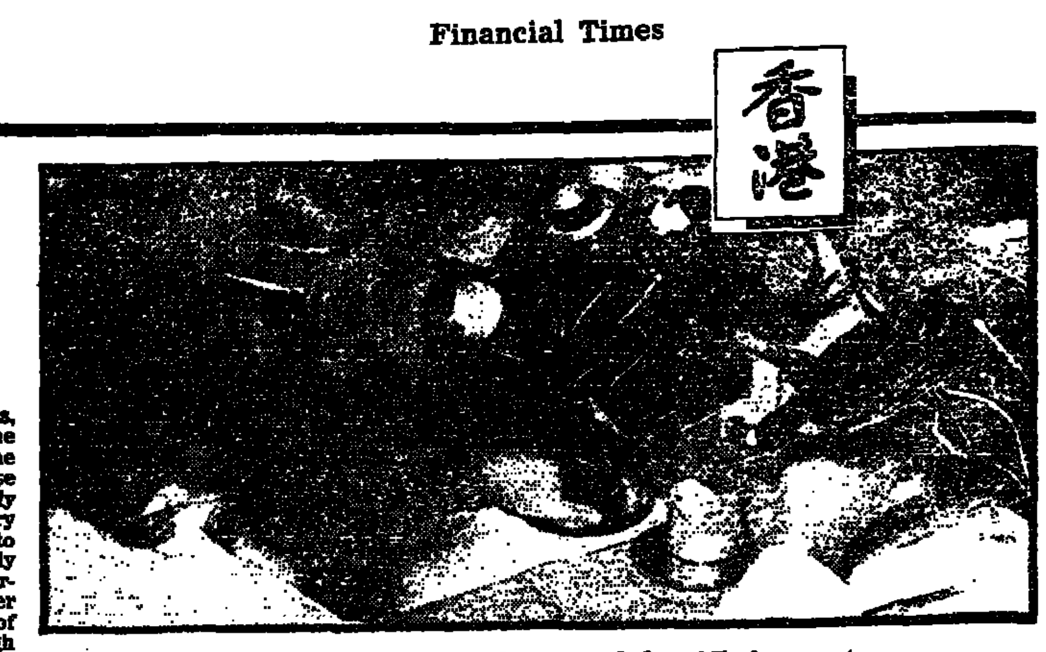
A total of 3m shares was offered at US$16 each, 1.25m by the existing shareholders (principally Mr Yeh, but also his fellow directors) and the rest by the company. That meant new investors would acquire just under 31 per cent of the company, while Mr Yeh himself would hold almost 59 per cent.

The offering was four times oversubscribed, and the proceeds to the company were earmarked for the repayment of more debt and further corporate development. Mr Yeh and the other selling shareholders realised US$18.75m after underwriting discounts and commissions.

Universal is now one of the world's leading toy companies. About 23 per cent of its turnover is still accounted for by contract sales to other toy companies, but the rest is sales of its own products, with 46 per cent of the total in the world's most important market, the US.

If on Mr. Yeh's reckoning Universal has some way to go before it joins the ranks of Mattel and others, it has by any standards made a major breakthrough, putting not only itself but also Hong Kong firmly on the toy map.

Chris Sherwell



The electronic watch industry has expanded rapidly in recent years

Watch Industry

Keeping in time with fashion

THE OLD stone-and-brick Kowloon-Canton railway clock-tower still stands, a symbol, many like to say, of Hong Kong's global importance as a maker and exporter of watches and clocks.

It is also a notable anachronism, a lonely example of one of Hong Kong's rare acts of conservation (the two other recent noteworthy examples being banyan trees, one celebrated for shading an estimated HK$1m-worth of developable property). On the other hand, there is no such anachronism in the territory's watch and clock industry: it stands completely, and successfully, in the present.

Despite the shakeout over the past few years as a result of world competition in the market for digital display watches, which saw weaker businesses close and the industry's employment contract by more than 15 per cent, Hong Kong remains the world's largest watch exporter in terms of quantity and the third largest in value terms behind only Switzerland and Japan.

Meanwhile, a sluggish world economy was striking at most of Hong Kong's domestic exports, which overall contracted by an unprecedented 6 per cent last year. The rising yen against the US dollar, to which Hong Kong's is pegged, meant that more of the industry's weaker companies, dependent on imported Japanese components, went to the wall. "Those who had profit margins of only 3 or 4 per cent," says one top executive, "suddenly had none at all."

Still, the territory's watch and clock industry overall moved on to greater strength, albeit at a slower pace, with exports last year valued at more than HK$9.5bn, up 3.7 per cent on the previous year, and with latest figures, for January and February, showing 6.6 per cent growth against the two months in 1985.

Success lies in two intertwined situations, one not necessarily under Hong Kong's direct control but another which has become the territory's industrial hallmark. The first is fashion. Watches and clocks have almost since their innovation been decorative as well as informative, but many electronic items have become so inexpensive and able to provide a range of additional functions, either serious or for fun, that sales continue to boom.

This is a potential open to all manufacturers, but the area which sets Hong Kong apart is its renowned flexibility to be able to provide new items often cheaper and, especially, quicker than its competitors. In short, an ability to service gaps in the market first.

The marketing director of one middle-range manufacturer said: "Prices are so affordable, many people can, and do, buy to match a single suit or dress, maybe get tired of the watch, lose it, throw it away and buy another. In matching a wardrobe, a well-off American woman might buy five or 10 a year. Because of periodic trouble in importing parts and movements last year, my company had a shortage. We could have increased volume 100 per cent if production was not limited."

Here, however, is one of the potentially serious problems facing the industry. It is heavily dependent on imported parts such as chips, quartz crystals and certain displays and can be plagued by scheduling and production problems as well as having to deal with disadvantageous currency movements.

As Hong Kong's labour costs continue to rise, and competition increases in the cheaper ranges (even from Japan again) and as the unit price and profit margins drop because of oversupply in mainstay liquid crystal display units, there still remains a reluctance in the industry to move up market.

The Government has been trying to encourage moves towards more fully-integrated operations, but this has made little headway. Not only does the official policy of non-interference prohibit any sort of official cash incentives, the industry itself shies away because of the high capital costs involved and the lack of high-quality machine technology available in Hong Kong.

For an industry still often relying on subcontracting assembly-work to households, further difficulties lie in the changing composition of the available workforce, whose average wages are second only to Japan in Asia. The industry has an increasing inclination to reject this traditionally lowly paid endeavour. Larger factories have also been affected over recent years by a shortage of skilled operatives and high labour turnover.

Meanwhile, the Hong Kong industry remains, and is likely to remain for some time, largely assembly-oriented. Committed optimists arue that, in a constantly changing world market, Hong Kong's 1,700 small watch and clock factories and their 36,000 hard-working employees provides the necessary disciplines on cost and quickness to meet the challenges. The pessimists argue that this approach, without a commitment to significant restructuring up-market, may well mean that Hong Kong's successes in terms of growth may well have "peaked."

The middle-view, however, is that most manufacturers seem to believe that Hong Kong's adaptability will hold sway. They point to recent successes in overcoming their shortage of low-cost labour by establishing factories in China. They point to Hong Kong's continued abundance of well-developed supporting industries supplying quickly items such as bands, cases and attachments to meet changes in fashion and the increasing desire for new serious functions or, indeed, gimmicks.

China is seen as a large new market, buying an increasing amount of Hong Kong parts and components from its own industry. Last year, Hong Kong's watch and clock exports to China increased 117 per cent on 1984 to a value of HK$733m, about 60 per cent of which represented parts.

The prevailing mood was summed up by the production manager of a Kowloon factory: "Plastic watches may be a fad, quartz analogue may be only here for a while, we may have to return to metal watches anytime. But, as long as we spend time, energy and money on innovation and design, we can remain among the world leaders."

Larry Klinger

Exports of watches and clocks

	1983	1984	1985 (Value HK$m)	1985	1986
Electronic watches	5,120.6	5,550.5	5,835.5	715.0	833.9
Mechanical watches	1,176.4	1,081.7	780.6	144.5	101.2
Electronic clocks	638.7	606.1	400.2	66.6	59.8
Mechanical clocks	253.4	347.1	380.8	52.0	48.4
Metal watch bands	*306.2*	*351.7*	*336.2*	*53.4*	*53.2*
Cases, parts and other accessories	1,070.2	1,289.9	1,839.4	253.0	273.3
	8,565.5 (+14.9)	9,227.0 (+7.7)	9,572.7 (+3.7)	1,284.5 (+10.8)	1,369.8 (+6.6)

Note: Figure in brackets denotes change in % terms over corresponding previous period.

Source: Hong Kong Statistics Department

Watches for everything

How National Electronics keeps up-to-the-minute with trends in watches. Profile by Larry Klinger

TOMMY TAM was wearing a neat white-knitted shirt, buttoned at the collar, and apologised for not wearing a jacket and tie. Later he said he was sorry he did not know the name of the US warship lying in the harbour—below his 14th-floor Admiralty Centre offices.

These polite remarks by Mr Tam, director of National Electronics (Consolidated), the big watch manufacturer, were not made too solemnly, but did indicate something of the Hong Kong work-ethic.

A compensation for the long hours he puts in—almost a demonstration of the fact—is to dress a bit casually on Saturday mornings. While the lack of knowledge about the warship was ascribed to over-familiarity with the harbour view, the inference was that dedication to work prevented him from taking much note of what happens outside.

National's four Hong Kong factories were currently working flat out and order books getting longer, Mr Tam said. His senior production team were hard-pressed and seriously distracted by a European television news team filming company operations.

The National group is said to be Hong Kong's largest watch manufacturer and believes it is among the world's top 10 in both volume and turnover at about 10m units and over HK$400m respectively. It is the only Hong Kong watch manufacturer to go public, which it did last year.

Besides its 115,000 sq ft of Hong Kong manufacturing space, it has factories in China, three liaison offices in New York City and a research office in Santa Clara, California.

The company also claims many world design breakthroughs, both in constant digital time display watches (liquid crystal display or LCD) and the now fashionable electronic watches with traditional "hands" and "face" (the quartz analogue), as follows:

- LCD with alarm (1977).
- LCD with memory and display for personal notes (1980).
- Watch with voice synthesiser to speak the time (1981).
- English/German and English/Spanish translator watches each with a vocabulary of more than 2,000 words (1983).
- Quartz analogue with melody alarm, timer and LCD display in the 3 o'clock position, showing dates in two languages as well as time (1983).
- LCD measuring environmental and body temperatures in both Centigrade and Fahrenheit (1984).

Innovation, coupled with quickness to come up with it, sell it, and then produce it almost immediately, the key to the Hong Kong industry's continued success, Mr Tam said.

It was different from other watchmaking countries such as Japan and Switzerland. Japan, with big cash resources for television advertising, could create its own market for a limited line of new models and then mass produce for that market.

"We do produce high-quality watches, even some with precious stones," Mr Tam said, holding up his left wrist to show a gold-plated quartz analogue sparkling with diamonds. "But Hong Kong will never really match the quality of the Swiss."

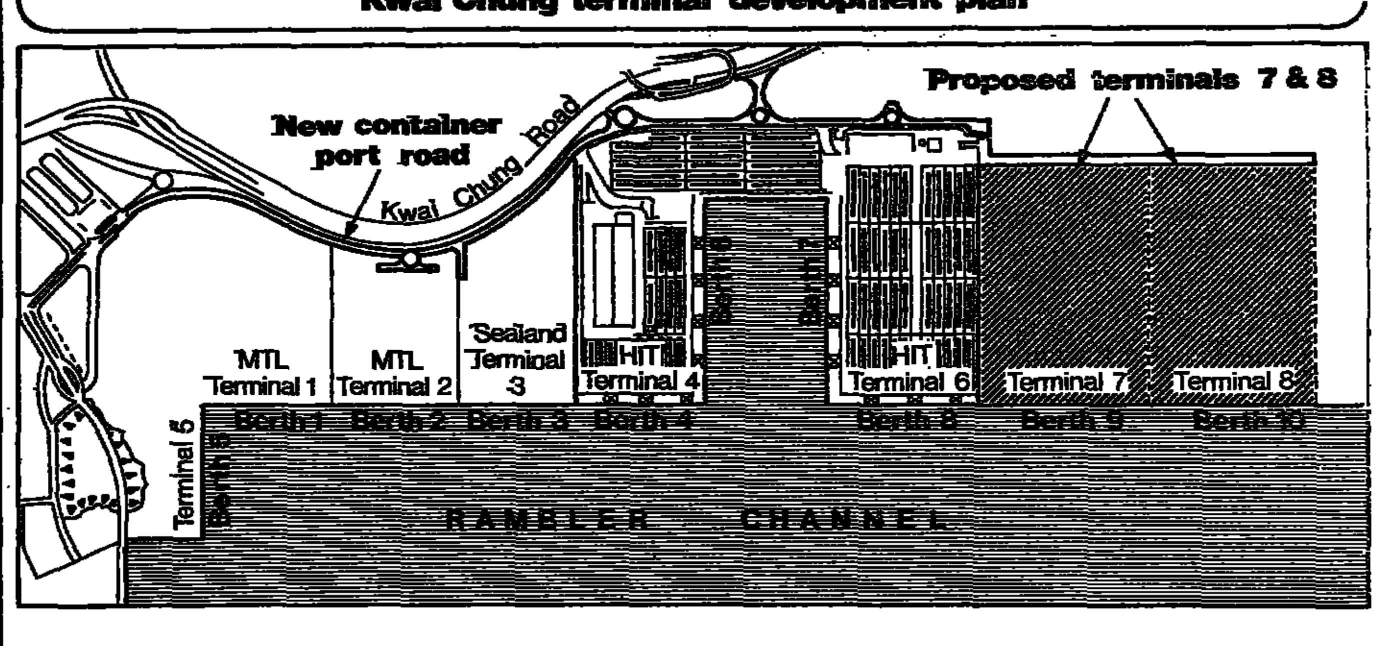
Where Hong Kong excelled was in meeting changing fashions first and at the lowest possible price. National's staff designers came up with a new design on paper. Then, if it was accepted, it was hand-made into maybe 1,000 prototype samples to be illustrated in ever-changing catalogues and distributed to possibly 50 or 60 potential buyers.

"We produce only to existing orders," said Mr Tam. "It's difficult to say how fast the business can move. We do need minimum quantities, which will vary on production cost and what we can charge. Say 10,000 from one buyer, coupled with 5,000 pieces for another, or maybe 20,000 for a third. If we get a sufficient order, say from New York, we can be producing within a few days.

"If people in Hong Kong have a sufficient order and need parts they simply fly to Taiwan or Japan and return with a packing case full of the critical components.

"People don't want last year's watch. That's why we come up with 20 or 30 new styles every month."

Kwai Chung terminal development plan



Ports

China takes more cargoes

HONG KONG takes more than just its name—which means "fragrant harbour"—from its port. As the territory increasingly becomes a services centre, particularly for China, cargo handling services are likely to play an even greater role in the economy after an already long period of extraordinary growth.

The port is not some distant ancillary outpost of the city. It is right there in the middle. Passengers on the seven-minute ferry ride between Hong Kong and Kowloon weave between busy harbour traffic. As far as the eye can see, ocean-going ships are at anchor surrounded by swarms of smaller vessels taking cargo to and fro.

Not that ships usually stay long. Those anchored at buoys in the harbour have an average turn-round time of 2½ days. Most of the cargo handled by lighters in this way is break-bulk, but marine officials say that even the number of containers dealt with at buoys rivals the total at, for example, the UK port of Felixstowe.

Hong Kong's container port is the world's third largest, after Rotterdam and New York, and is being expanded. At the Kwai Chung terminal the average turnround time is just 13 hours.

Like the entire Hong Kong economy, port volume is vulnerable to swings in demand for goods, especially in the US. But this has not prevented uninterrupted growth in the amount of cargo loaded and discharged. For ocean-going vessels, the total has more than doubled from 21.5m tons in 1976 to 45.6m last year. The increase was particularly rapid in 1983, though it has since slowed somewhat.

The most important trend underlying the statistics is the growing role of China. While the number of ocean-going ships entering the harbour has risen a total of 20 per cent to 13,346 over the past three years, the number of river trade vessels—smaller ships plying the Pearl River estuary—totalled 80,251 in 1985, 38 per cent up on 1982.

Cargo loaded and discharged in Hong Kong on river trade ships nearly doubled in the same period, and in 1985 alone rose 33.4 per cent to 7.9m tons. Last year's rise in ocean-going cargo was 10.2 per cent, including containerised tonnage through Kwai Chung which rose 7.6 per cent to 12.8m tons.

River trade cargo last year broke down into 5.3m tons coming from China—including foodstuffs for Hong Kong and manufactured goods for onward shipment—and 2.6m tons being loaded for China, including industrial goods to feed China's current economic growth.

Captain Tim Frawley, deputy director of the Marine Department, believes that too much is made of Hong Kong's status as a trans-shipment port. Most of the trade, he says, including 73 per cent of container traffic, is domestically generated and directly associated with Hong Kong's own economy.

Other observers believe, however, that the figures mask the true extent to which Hong Kong is a trans-shipment port and the increasing role which it is playing in this respect for China. Containerised goods can, for example, arrive in Hong Kong by road and then appear in the figures as Hong Kong exports when they are loaded on to ships at Kwai Chung.

What is more, there is a widespread belief that Hong Kong should focus even more on this role. Mr Mark Leese, managing director of Modern Terminals, one of the three operators at Kwai Chung, notes that China ranks second after the US as an export market for Hong Kong: "Hong Kong is practically the only gateway to the whole of China. It is in an immensely strong position geographically to take advantage of China's growth."

Growing China business, he says, has already balanced a slowing in US import demand.

Mr Thomas Cowan, managing director of Sea-Land Orient, another Kwai Chung operator, remarked in an introduction to Lloyd's Hong Kong Port Services Index that "Hong Kong's container handling facilities are so well developed that it has become an ideal point for relay of containers to and from China through feeder systems employing trucks, barges and smaller vessels."

The number of Chinese flag vessels using the harbour has risen markedly in recent years, from 1,372 in 1983 to 2,121 in 1985, and Chinese container ships are frequent callers. Modern Terminals, for example, has 24 Chinese vessels berthing at Kwai Chung each month. China's growing emphasis on containerisation, however, puts the facilities provided by its own ports under strain.

Furthermore, its surge in imports has left those ports chronically congested. All this should enable Hong Kong to build on its role as the key port for South China if not for the whole country.

If this is to happen expansion of Hong Kong's capacity must continue. The Government and the container terminal operators have a five-year trigger point system determining the contruction of new container facilities. This has already set in motion the building of Terminal Six at Kwai Chung, due for completion in 1989, as well as close consideration of plans for the next two terminals.

Terminal Six, construction of which involves the reclamation of some 29 hectares of land from the sea to provide two to three berths, is being built by Hongkong International Terminals. It will involve a reshuffle of the existing berths at Kwai Chung. Modern Terminals will buy one of HIT's existing terminals, with HIT operating the new one.

This means that Sea-Land's berths, currently sandwiched between HIT's, will instead divide those of Modern Terminals from those of HIT. The HK$2bn Terminal Six project will increase the capacity of the container port—which can take the most up-to-date third-generation container ships whereas Chinese ports cannot—to 3m TEUs (20 ft equivalent units) per year. Last year, the throughput was 1.9m TEUs, of which 17 per cent were empty.

As what locals like to call the only deepwater port on the Asian mainland east of Suez (conveniently excluding Japan), Hong Kong, with its container port, general cargo facilities, communications, pilotage and safety services, seems well placed to keep the harbour as a pivotal part of it growth as a services centre.

Alexander Nicoll

A big expansion programme is taking place in the container docks of the Modern Terminals Group

Shipping fleet expands

THE SHIPPING fleet, in terms of deadweight tons, actually increased last year despite the tribulations and sell-offs of leading owners.

The Hong Kong Shipowners' Association says the fleet, at 1,281 vessels totalling 57m tons, is the third largest after Japan and Greece, making up 8 per cent of world tonnage.

The key to the apparent resilience of the numbers is that the Shipowners' Association includes not only owners but also ship managers. Companies such as Wallem and Denholm have benefited significantly from the increasing tendency for ships to be owned by banks rather than by their original owners.

This trend means that ship managers have been encouraged to expand the services they offer from simply looking after vessels themselves to providing corporate, commercial and financial skills.

Wallem, the largest such company, had 114 ships under full management in May and was providing some services for a further 45. Like those of Hong Kong owners, the ships are rarely seen in the harbour. But they are managed from Hong Kong, and Mr Michael Steele, Wallem's managing director, sees the territory as an ideal centre because good technical skills, communications, crews, repairs and legal and financial services are all available.

"Until the middle of last year bank business would be in and out," Mr Steele says. "A ship would be taken over and taken to a port, we would arrest it and then sell it. Now, banks cannot afford to take the short-term view. They have to hold on to them."

Since most banks are not experienced in managing, crewing and chartering out ships, managers have to play an expanded rôle which, Mr Steele believes, could lead to lasting changes in the ways that ships are financed and run.

According to this view, "professionals" such as Wallem and other ship managers would form part of a trinity jointly running the bulk and tanker shipping industry, the other interested parties being the owner, acting chiefly as a finance house, and the cargo interests which want goods to be shipped.

Alexander Nicoll

Shipping Register

Under two flags may be the new regime

THE CESSION of British sovereignty over Hong Kong will have one obvious effect on the shipping industry: vessels will no longer be able to register in Hong Kong and fly the British flag.

Concerted efforts are under way, however, which could bring a shot in the arm for the local shipping industry as well as introducing innovation into shipping registries.

The agreement between Britain and China stipulated not only that the private shipping industry would continue to operate in Hong Kong but also that "the Hong Kong Special Administrative Region shall be authorised by the central People's Government to continue to maintain a shipping register and to issue related certificates under its own legislation in the name of Hong Kong, China."

State arms

Under the active encouragement and advice of the Hong Kong Shipowners' Association, talks have been going on since in the framework of the Joint Liaison Group. The result could be a register on which ships would fly two flags—that of the ultimate sovereign (changing from the UK to China in 1997) and new Hong Kong flag.

The size of the Hong Kong-owned and managed fleet is currently about 57m tons dwt, but the existing British Hong Kong register totals only about 8m tons. Many Hong Kong-run ships are registered in Panama or Liberia.

In devising the new register, the aim is to attract both local and international owners to register, thus bringing revenue into the territory. The Hong Kong Government has apparently dropped its intention to make the register closed—available only to local companies.

The balance which must be struck, however, is to avoid making registration requirements so lax that the new flag was seen as a flag of convenience, potentially causing trade union boycotts around the world.

The Shipowners' Association's proposal is that there must always be what is called a "genuine link"—that is, that the owner of a registered vessel must have a properly incorporated and legally accountable company in Hong Kong and that the ship should be managed from Hong Kong.

The concept of managing a registered vessel from the place of registration would be innovative for the world shipping industry.

China's attitude to the complex proposals which have been made remains unclear. Even within Hong Kong, there are still important organisational and financial issues to be debated if the register appears feasible.

A particularly sensitive point could be the fact that China's own shipping registry is regarded by many as failing to meet international standards. China's equivalent of Lloyd's Register is not a member of the International Association of Classification Societies.

Alexander Nicoll

Shipowners Association

Banks join in the rescue

THE SHIPOWNING business in Hong Kong has become a prolonged salvage operation. Two of the three largest shipowning groups are in the hands of their creditors, while the third—Sir Yue-Kong Pao's World-Wide—avoided the same fate with a timely and drastic reduction of its fleet.

Paradoxically, the news is not all bad for Hong Kong. The increasing numbers of ships newly in the hands of banks have brought growing use of management and other services for which the territory is an important centre. This could be a lasting structural change for the industry, since few people expect old-type shipowners to regain their former dominance.

But for the moment it is a question of painstaking surgery as the shipowners attempt to weather the chronic over-capacity in the world's fleet and hold on to what they can of their businesses in the face of impatient creditors.

Shipowners in deep trouble are scarcely a new world phenomenon. Many European owners have already disappeared from the scene—and many shipyards fallen silent—since the energy price rise, recession and high interest rates of the 1970s.

The problems were compounded by persistent new building. For the Hong Kong owners the inevitable reckoning was delayed because they specialised in putting their new buildings out on long-term charter, effectively acting more as finance houses than as active shipowners.

Long-term charters meant that the crunch was delayed, but they have not reduced its intensity.

For the banks which financed the fleets, the reputation of the shipowner was a powerful aid to confidence. Most loans were, in any case, secured on the assets themselves—the ships. But lenders have since discovered that the close intermeshing of privately-held and publicly quoted companies—typical of Hong Kong's family-controlled groups—made it less certain exactly to whom they had been lending and obscured the true debt position of the borrower.

Even more stark, the dramatic decline of world ship prices and charter rates has forced large write-downs.

Founded mainly by Chinese families who came to Hong Kong as a result of the Communist takeover in 1949, the Hong Kong shipowning business has pursued the role of the exile even though the families are now based firmly in Hong Kong. Few ships from the still large Hong Kong-owned fleets ever actually pass through the port; and it is mostly foreign banks, particularly Japanese, which must now bear the results of their difficulties.

Of the C. H. Tung group's US$2.7bn of debt, for example, Japanese creditors account for about 65 per cent of the privately-held side and about 40 per cent of the total. Hong Kong banks—the Hongkong and Shanghai Banking Corporation is a major lender—account for 15 per cent of the total.

Although the Tung group's debt restructuring and that of the smaller Wah Kwong group are likely to be long and hard-fought, most bankers and shipping experts expect deals to be struck in the end which will allow the groups to survive in some form. China's indirect involvement in reinjecting funds into the Tung group is one factor inspiring confidence.

The biggest incentive for the banks, however, is that without a deal they will be left with no alternative but to seize the ships and then have them managed or sold in a free-for-all likely to depress prices still further. This could be costly in itself as well as failing to capitalise on the clout, albeit damaged, which the names of the Hong Kong owners still command.

Although arrests of ships are now a frequent occurrence, and smaller banks may continue to seize and sell their assets, preferring to take their losses for good rather than hang on for the overall restructure, the bigger banks, as they have done with much larger sovereign debtors, are generally likely to hold together for the long haul even if there are extremely tough negotiations.

Nonetheless there is an ever-present risk that entire restructurings can be scuppered by a single writ from an obstreperous creditor.

Even provided that the current negotiations are successfully completed, the crisis is not over. The world shipping industry will still be faced by huge overcapacity.

Mr Helmut Sohmen, senior vice chairman of World-Wide Shipping Agency—which is debt-free but faces the expiry of charters—believes that it will be at least two years before there is equilibrium in the shipping market, with freight rates providing an adequate return. He points to four factors as supporting an eventual return to an orderly market:

- The closure of shipyards, reducing world shipbuilding capacity.
- A general commitment to scrap ageing bulk carriers and tankers.
- A diminishing number of speculators on ship prices.
- A more selective financial community, waking up to the fact that "a ship is not an asset in itself; it is only an asset if it is trading." Even that assumption has been challenged by Hong Kong owners' painful experiences when charterers themselves defaulted.

All this would be negated, Mr Sohmen believes, if shipowners were to repeat their tendency to order new ships at the first indication of a market upturn.

Alexander Nicoll

Hong Kong Shipowners Association

SHIPS OWNED AND/OR MANAGED BY MEMBERS

Year	Vessels	Deadweight tons (m)
1980	1,400	55.4
1981	1,604	61.5
1982	1,637	63.7
1983	1,410	57.7
1984	1,303	55.6
1985	1,281	57.1
TYPES OF VESSEL OWNED/MANAGED AT END-1985		
Bulk carrier	565	25.5
Tanker	167	19.1
Container/semi-container	186	3.4
General cargo	159	2.0
Oil/bulk/ore	18	1.6
Combination carrier	7	1.2
Others	179	4.0
MAIN FLAGS OF VESSELS AT END-1985		
Liberia	412	28.1
Panama	427	11.7
Britain (Hong Kong)	188	8.4
Denmark	35	1.5
Britain (UK)	30	1.4
Others (26)	189	6.0

Alexander Nicoll looks at how three of the top shipowners are coping with the present crisis in the industry

Helmut Sohmen, senior vice-president of World-Wide Shipping Agency: he took a far-sighted view of the coming shake-out

Realist at the helm

Profile: World-wide Shipping Agency

AS THEY struggle through their debt problems, Hong Kong shipowners and bankers can be forgiven for grinding their teeth at *the many mordant* remarks made by Mr Helmut Sohmen, senior vice-chairman of World-Wide Shipping Agency, and one of two sons-in-law of Sir Yue-Kong Pao running the World-Wide businesses alongside their father-in-law.

For example: "Intellectual honesty, financial discipline and emotional detachment do not generally seem to be very strong points in the character make-up of shipowners, and I have personally been astounded at the degree of self-*delusion of which* the *industry* is capable, coupled with an apparent inability to learn from collective misjudgment. Examples are rare, and when they are found the results speak for themselves."

Mr Sohmen can, however, justly claim to have been among the more far-sighted observers in spotting the fate of Hong Kong shipowners.

Austrian-born and aged 46, he is a prominent political as well as industry figure. He is a member of the Legislative Council, *and represents the interests of* shipowners on the Basic Law Consultative Committee, which advises the key Basic Law Drafting Committee.

"I'm a realist. Some of our colleagues were not prepared to face reality," he says. Like other Hong Kong shipowners, World-Wide had many ships out on long-term charters, and was thus protected from the early stages of the shipping industry shake-out.

But, taking the view that there would be no near-term recovery in the market, World-Wide began to sell off most of its fleet some five years ago. From over 200 ships totalling more than 20m tons in 1979, the fleet is now *down to* 68 *totalling* 8m tons—still relatively large.

"We made conservative provisions and found they were not conservative enough. But we *started the process early* and we did not think the market was on the verge of turning round," says Mr Sohmen. As a result, World-Wide *is* now essentially debt-free.

The years of reduction of the group's shipping interests have seen marked expansion of the Pao empire in other areas. It has taken over the Hongkong & Kowloon Wharf and Godown Company, which then last year bought Wheelock Marden. The resulting combine owns the Harbour City/Ocean Terminal *shopping, hotel and residential* complex in Kowloon. It also operates the Star Ferry, the tram system and the cross-harbour tunnel as well as having many other proprty interests.

Another diversification has been an investment in Dragon Airlines, which so far has only one aircraft flying on South-East Asian routes and, more significantly, into China. To the chagrin of Hong Kong's established airline, Cathay Pacific, Dragon is applying to *fly* to London and Amsterdam. It has received strong *political* and economic backing from Peking.

As Dragon's managing director, Mr Sohmen says the investment reflects potential commercial *opportunities* in China and the possibiliy that a Hong Kong based airline could be well-placed after the handover of Hong Kong to China. Y. K. Pao is keeping in close touch with China as it prepares to take over.

But Mr Sohmen says the group is cautious about making big new investments and that "we're *hesitant* to commit ourselves too heavily in China." It would, however, consider diversifying in the financial services field.

The group's most recent move has aroused much speculation about its attitude towards the shipping business. For the second time in five years it proposes to take Eastern Asia Navigation, the group's publicly-quoted shipowning arm, back into private ownership.

Pao interests already control 76 per cent, and the operation will cost HK$800m Eastern Asia is forecasting profits of about HK$300m in the year ending next March, well down on $521m *in the previous* year, and cites the need for "more flexibility in commercial dealings in a very difficult situation."

The company owns 20 ships with an average age of 10 years, of which only six are on long-term charters. By the end of the year, 80 per cent of the fleet is likely to be working the spot market. Cynical analysts have *been reluctant to accept* the *Pao* group's protestations that, despite its healthy financial position, it does not want to feel responsible to small shareholders.

"We have been able to maintain our results but we are now at a watershed," says Mr Sohmen. "Our ships are coming off charter and we can't maintain our performance. It is preferable to buy in the minority rather than expose yourselves to criticism."

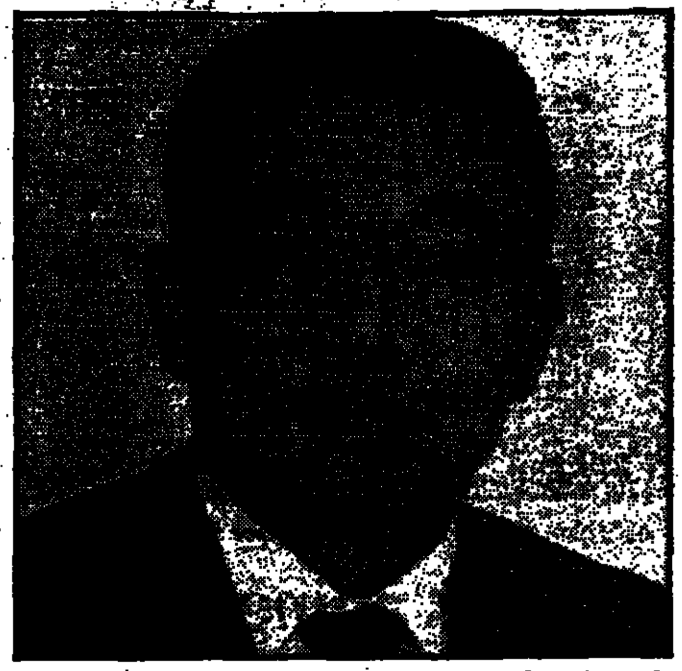
Others might argue that the shipping market *is looking* healthier than it has done for some time—more than in 1984 when Eastern Asia went public—with oil prices falling and a shake-*out* of distressed *tonnage* now occurring because of the Tung and other groups' troubles. Looking at the overall market, Mr Sohmen says: "I'm more hopeful now than I've been for the last six to eight years."

Some observers suspect that, under the cover of private ownership, the Pao group now plans to start buying ships again at current low prices. But if this is so, Mr Sohmen certainly gives no hint. He is seathing about shipowners who begin ordering at the first sign of an upturn and about buyers whose motive *is* speculation.

Alexander Nicoll

Orderly restructuring sought

Profile: C. H. Tung Group



Mr C. H. Tung, chairman: founder's son has devoted himself to salvaging his company

THE C. H. TUNG group's US$2.7bn of debt is the subject of one of the world's largest, most intricate and politically sensitive corporate restructurings.

If the operation proceeds along the lines proposed to creditors at a meeting in Hong Kong in mid-May, the Tung family will retain management control and have the chance, eventually, to regain equity control should the slimmed-down group recover.

This is a lot to swallow for a once-proud company, founded by the late C. Y. Tung, and formerly commanding some 150 vessels. The founder's son, C. H. Tung, has devoted himself entirely to salvaging the company from the ruins in which it found itself last year. Even before the May creditors' meeting, he had circled the world three times canvassing support for the new plan.

The group is faced not only with grim financial realities—a large debt, partly secured by a portfolio of ships now well below their original value. In addition, the debt was divided between privately held companies and the publicly-quoted arm, Orient Overseas (Holdings) Ltd (OOHL). Investigations following the collapse revealed a complex chain of transactions between the two sides of the group, which in turn made it difficult to distinguish the debts owed by each side.

Many creditors had previously been unconcerned about to which side they had been lending, and unaware of the size of the overall debt.

Creditors' first instinct in such a collapse would be to fire *the existing management*. But in this case it is generally believed that there would be much to lose and little to gain from such a move. The business is seen as being dependent on the Tung name and the family's contacts.

If the Tungs were removed from the company, the view is that banks might as well make the best of their security on individual loans rather than participate in a time-consuming and elaborate restructuring with uncertain long-term benefits. This could be the view *that banks take in the end*, but at present all efforts are focused on working out an orderly restructure.

Further complicating the picture are the Tung group's long-time links with Taiwan. These have proved particularly sensitive in that China, acting indirectly through Mr Henry Fok, a prominent businessman, is injecting new funds to keep the Tung container business afloat. In addition, the Bank of China was involved last year in providing bridging finance to keep the company going while it worked out a temporary operating agreement with creditors.

Since the extent of the group's troubles became clear last September, intensive negotiations have been under way between creditors, particularly the Hongkong and Shanghai Banking Corporation which stepped in with a US$150m standby loan, and Shearson Lehman Brothers and Hambro Pacific as advisers to the private and public sides of the group respectively.

Illustrating the complexity of the problem, the private group alone consists of some 500 companies.

What has emerged is a plan simple in outline but inevitably complicated in detail and still subject to adjustment in negotiation. Like all such attempts, it will depend on the approval of a vast majority, if not all, of the group's 150 creditors.

The key principle underlying the plan is to treat all debt, whether it is part of the US$1.45bn owed by OOHL or the US$1.25bn owed by the so-called Tung Private Group, in an equal and co-ordinated fashion relating the value of each loan to the current market value of the underlying asset. Debt is treated as secured only up to the market value of the ships or other assets.

Portions of loans accordingly treated as undersecured or unsecured are to be converted into interest-bearing notes or equity. About $400m of OOHL's debt, and about $550m of the TPG debt, are to be converted into equity.

The second key element of the plan is the proposed structure of the new group. This will again disregard the public/private distinction and divide the Tung fleet between the container ships, seen by many as providing the group with a future, and the tanker and bulker side. As can be seen from the chart, the plan boils down to five major entities:

Tung Holdings Trust. This is the most innovative aspect of the restructuring. The trust will exist solely to receive dividends from its two subsidiaries and pass them to the creditors as beneficiaries. Mr Tung would be a trustee and would contribute shares not pledged elsewhere to the trust.

Tung Tankers and Bulkers (TTB). There are 56 such ships in operation, but the plan is to reduce the total to between 30 and 35 by 1990. The Trust would own all of TTB. *Senior (secured)* debt of TTB would be between $460m and $500m, and a further $50m would be converted into interest-bearing notes and $25m into preference shares. Creditors would be represented on the board of TTB but Mr Tung would be chairman.

OOHL. Equity would be up to 90 per cent held by the Trust. Mr Tung would be chairman with bank representation on the board.

New Container Group. It is into this company that Mr Fok will inject US$100m, giving him a substantial minority with the majority held by OOHL. With China keen to develop its container shipping capacity, the profitable Tung container business would clearly give it an important step ahead, though it will, on paper, be competing with China's own container company.

The Tung group has 29 container ships operating from seven terminals with a projected 1986 capacity of over 800,000 TEU (20 ft equivalent units). The container group has $600m of senior (secured) debt. Mr Tung would be chairman.

Tung Newbuildings. This is one of the most sensitive aspects of the restructuring and the most likely to undo the whole deal. The Tung group has 24 ships on order from Japanese yards, of which 15 are ready for delivery. It proposes to take delivery, with considerable new financial assistance, of 12 of them—subject to agreement on precise terms, including cancellation fees, with Japanese yards.

The agreement is vulnerable because, in order to collect export insurance claims, the Japanese yards would be required to pursue legal remedies first—forcing the whole group into bankruptcy. Mr Fok would inject $20m into the *newbuilding company* and hold 50 per cent of its equity as well as preference shares.

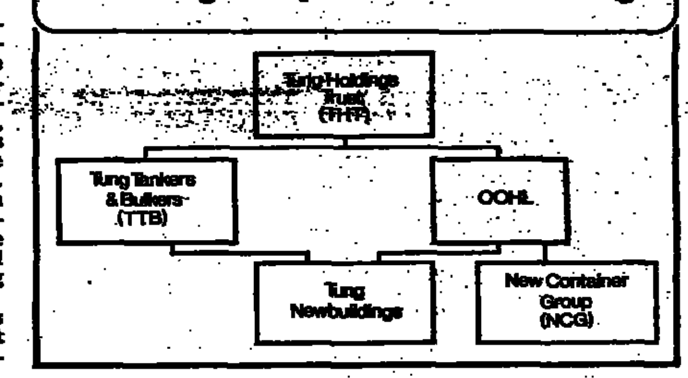
Meanwhile, five banks have agreed to arrange a loan of about $250m to raise funds for the new ships. They are Bank of Tokyo, Hongkong Bank, Industrial Bank of Japan, Manufacturers Hanover Trust and Standard Chartered Bank. The loans would be secured on the vessels (seven tankers and five container ships) which the Newbuildings Company would charter to TTB and the container group.

At the May meeting, banks agreed to form a steering committee led by the same five banks minus Standard Chartered, which, is however, a member.

Meanwhile, the Tung group is keen to demonstrate that it has already introduced cost-cutting measures and financial stringency, as well as strengthening its financial management with the appointment of Mr Norman Thompson, former chairman of the Mass Transit Railway, and Mr Richard Chase, formerly of GEC, as finance committee chairman and financial controller respectively.

Alexander Nicoll

C.H. Tung Group after Restructuring



Optimism takes a nosedive

Profile: Wah Kwong Shipping

IF THE FATE of the Tung group is uncertain, that of the smaller Wah Kwong Shipping is precarious. Attempts to forge a restructuring of the company's US$320m debt have been under way since January, but difficulties raised by creditors, notably Citibank, have made the final outcome unclear.

Mr Frank Chao, the company's president and son of the founder and chairman, Mr T. Y. Chao, had for years insisted that the prospects for the shipping industry were bright. His optimism was matched by continued new ordering of ships. Even last autumn, Mr Chao was saying that "shipping is at the lowest it has ever been, and we intend to take advantage of this and to expand our shipping interests."

Like other Hong Kong shipowners, Wah Kwong's success was based on securing long-term charters before committing itself to new buildings. But this apparently safe and conservative strategy was cruelly exposed by the successive failure of four charterers: Irish Shipping and Scottish Ship Management in 1984, Japan's Sanko in 1985, and, as the final straw, Australia's Kangaroo Line in January this year.

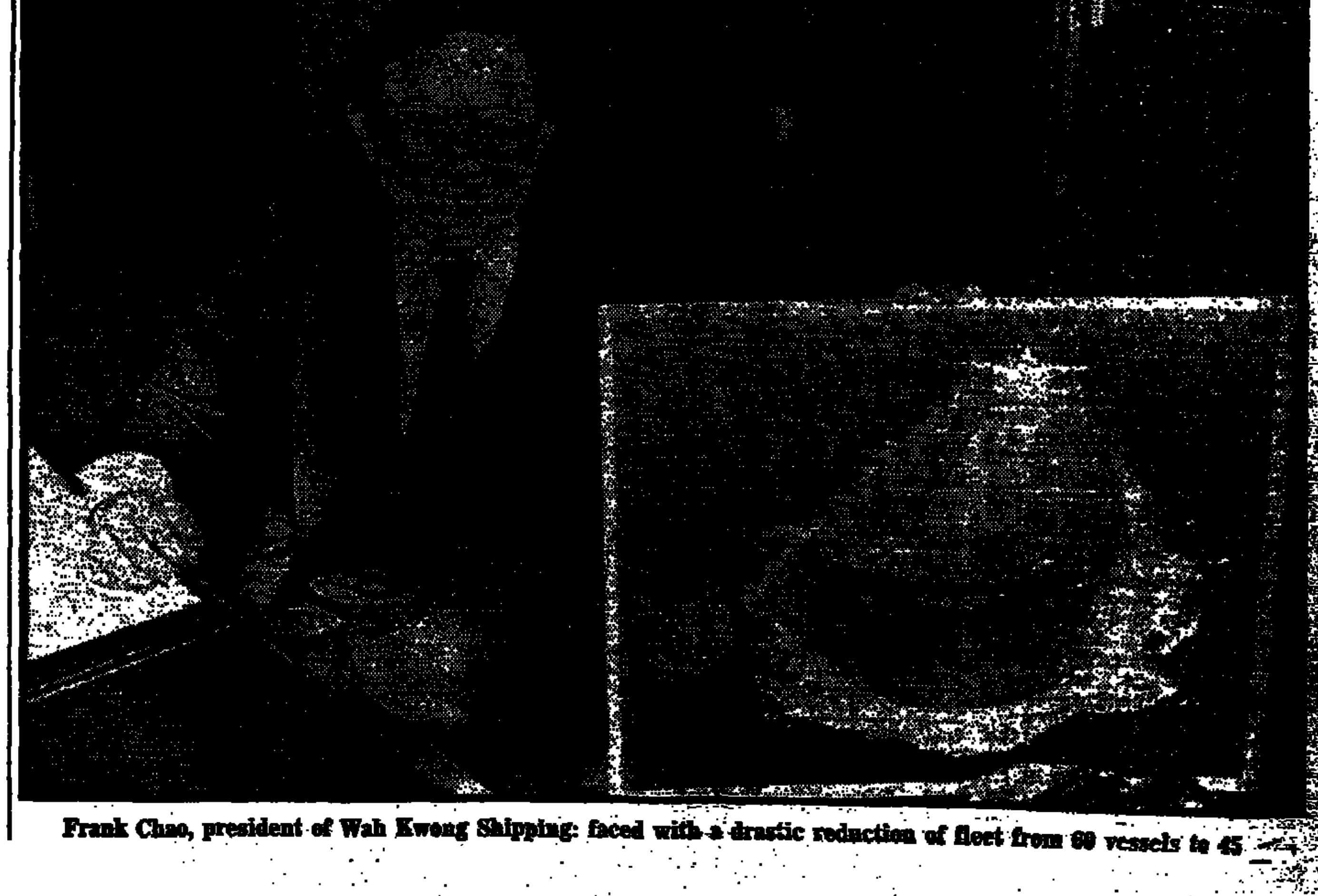
Now, instead of expanding, Wah Kwong is faced with a drastic reduction of its fleet from 60 vessels to between 42 and 45, according to the terms of the restructuring plan put to creditors at the beginning of May. It would renegotiate delivery terms for new vessels, accepting perhaps six of the nine on order.

Revaluation of the fleet produced a loss after extraordinary items of HK$2.98bn for 1985, with an operating loss HK$63m which compared with a profit of HK$225m in 1984.

According to the plan, put together by Amex Asia as Wah Kwong's adviser, the Chao family would commit their wealth to saving their company. *Meanwhile*, about half of the company's debt, owed to 46 creditors, would be converted into equity. Standard Chartered Bank is the biggest creditor.

For the moment, however, the group is surviving—like the Tung group—only thanks to a temporary interest payment plan under which creditors release to Wah Kwong charter hire payments made to them by charterers.

Alexander Nicoll



Frank Chao, president of Wah Kwong Shipping: faced with a drastic reduction of fleet from 60 vessels to 45

Cruise Industry

Strong interest in visits to mainland

TO SAIL into Hong Kong's great harbour—whose only probable rivals in terms of magnificence are San Francisco, Sydney, Rio de Janeiro and Cape Town—is to experience one of the great natural sights of the world. And an estimated 27,000 cruise-liner passengers did exactly that last year, with more expected to do the same this year and next.

Britain's P&O, whose presence in Hong Kong extends back to 1844, is especially keen to expand its cruise-liner trips to the territory and is launching a world-wide publicity campaign over the next few weeks in support of three of its ships: the Southampton-based Canberra, the Los Angeles-based Royal Princess and the Sea Princess, which is to move its base from Southampton to Los Angeles in November.

Swire Travel, which along with P&O Travel comprises Hong Kong's two leading travel agents involved in the cruising business, specialises in on-the-ground services for other world cruise-liner passengers calling at Hong Kong, including those from Cunard's Queen Elizabeth 2.

The company's China-tour sector is by far its fastest growing, up more than 20 per cent per annum over 1980-84, and Mr Howard Young, Swire Travel's managing director, emphasises the Chinese potential for further growth, especially in special-interest tours involving science, technology and art.

Mr Young said that the China trade now represented about 30 per cent of his company's total revenue against only 10 per cent seven years ago, when only 800 of Swire customers toured China against more than 10,000 now doing so on one-day to 14-day cruises.

One of Swire's major involvements is with Pearl Cruises of Scandinavia, whose Pearl of Scandinavia is the only fully Asian-based cruise-liner and specialises in 12-day to 15-day cruises throughout the year, sailing regularly in and out of Hong Kong to and from major Chinese ports and others in the Asian Pacific.

There are no precise figures for Hong Kong's overall cruise-liner trade, but the Hong Kong Tourist Association, basing estimates on passenger arrivals by sea, excluding all those from neighbouring China and Macao as local services, believes that more than 27,000 cruise-liner passengers visited the territory last year, a 4.6 per cent increase on the 25,800 estimated to have arrived in the previous year.

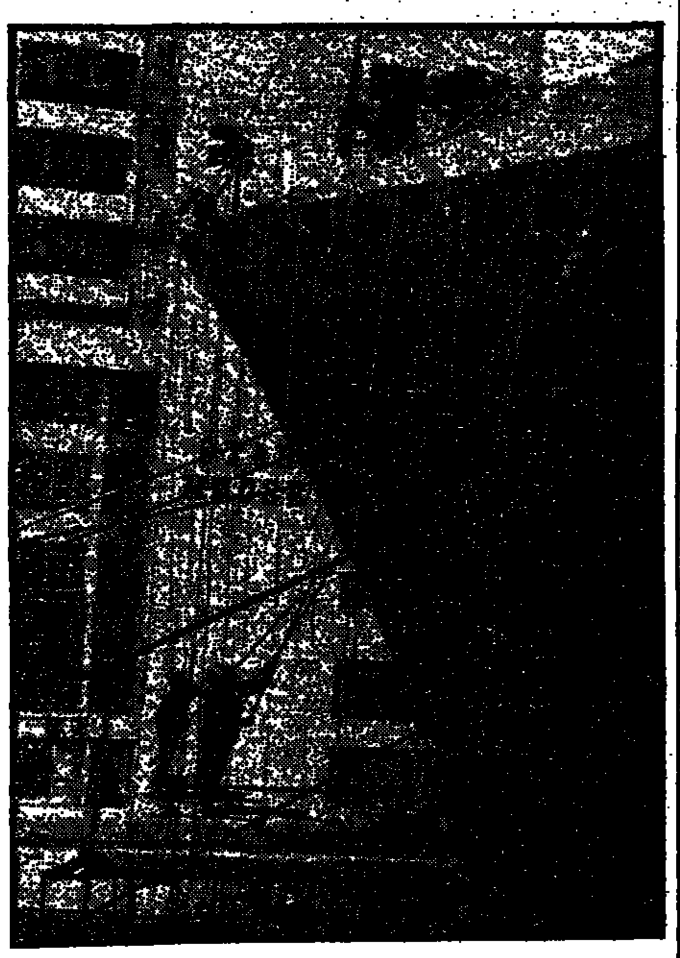
While future growth in the Hong Kong trade is not expected to be spectacular, the tourist attractions of sidetrips to mainland China, coupled with P&O's plans, should ensure steady growth over the next few years. P&O, whose 1,750-passenger Canberra will continue to visit Hong Kong at least once a year, is adding at least four Hong Kong calls over the coming season, with the possibility of more in a couple of years' time.

The company's newest liner, the 1984-commissioned, 1,200-passenger Royal Princess, will end two sectors and begin two of its 1987 Pacific cruise programmes in Hong Kong in April and May. The 700-passenger Sea Princess will also make two Hong Kong calls during its 1987 Pacific schedule, in October and November.

P&O is studying adding an around-the-world cruise with a Hong Kong stop out of Los Angeles after the Sea Princess joins the company's other ships based here, the Royal, Island and Sun Princesses. "This is a distinct possibility after 1988," said Mr Richard Willis, P&O Travel's director of marketing.

Mr Willis said he believes that China can become an "essential part of everybody's sightseeing" and therefore gives Hong Kong even greater potential as a hub for people to either fly in to join a cruise or fly home after finishing one.

Larry Klinger



MR DUDLEY GROVES, seen above, is captain of the Coral Princess, the Hong Kong-based floating seminar for Asian businessmen.

Business and pleasure afloat

The 10,000-gross-ton cruise liner is owned by the Swire Group's China Navigation Company and specialises in two-week courses for groups of more than 450 young managers. Often organised by the private Japanese Productivity Centre, the courses set out three objectives:

- To motivate junior and middle management and supervisory personnel in Japanese enterprises to develop better working morale and attitude, thereby fostering ability to analyse and solve problems in the enterprises.
- To provide the participants with a forum for better mutual understanding and friendship to create richer spiritual life; and
- To provide the participants with opportunities for better understanding in Asian situations to promote international friendship and co-operation.

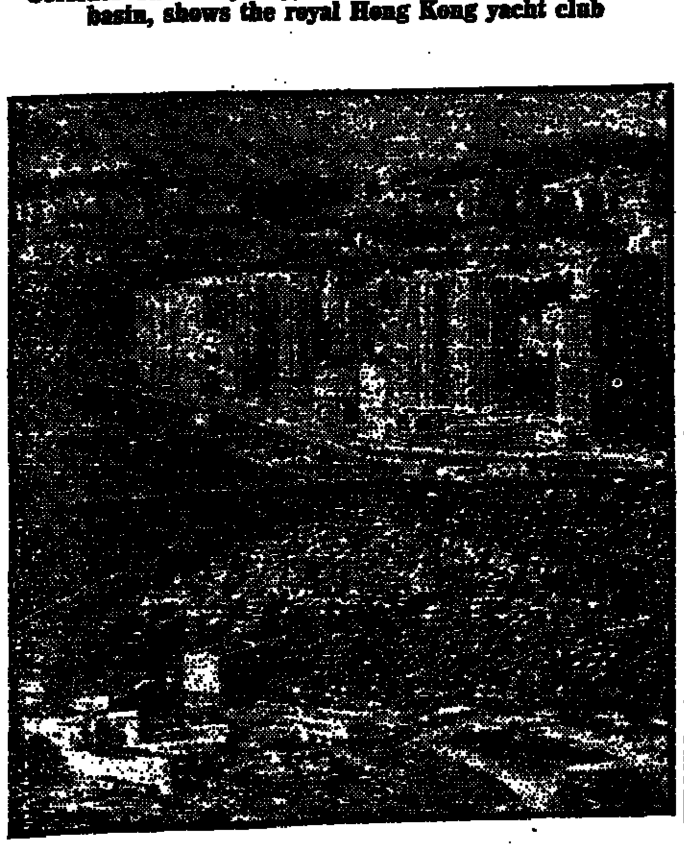
The centre has organised more than 50 cruises over 15 years involving 20,000 industrial and business managers.

"What might appear to be mixing business with pleasure," said Captain Groves, "is in reality almost 100 per cent work. Families are left at home, and enshore visits to places like Hong Kong, China and Singapore are primarily taken up with visits to industries."

Fifty hours of sailing time are devoted to lectures and group discussion, and two hours after dinner each day are set aside for "sports, appreciation of music and art and nautical astronomy."

Larry Klinger

Cunard's Queen Elizabeth 2, shown above during a recent call into Hong Kong harbour for repainting, regularly visits Hong Kong during world cruises. Below: Eastern Corridor Causeway Bay, which is also a cargo handling basin, shows the royal Hong Kong yacht club



Hong Kong's busy international airport at Kai Tak is already beginning to feel the strain. Right: Stephen Miller, general manager HK Dragon Airlines: battling with Cathay over routes.

Aviation

Unseemly duel over air routes

ANYONE SEARCHING for a clear example of where Sino-British co-operation will be sorely tested in coming years need look no further than aviation, where two different but thoroughly political questions will rear their ugly heads.

One concerns a second Hong Kong airport. Limits on the existing centrally-located strip at Kai Tak will be under strain well before 1997, but there are no easy sites for another. In both of the two possibilities engineering will be difficult and the costs exorbitant.

With lead-times long it may be necessary to consider a different alternative—like sharing an airport across the frontier with the Guangdong province of China.

The other issue is posed by the sudden emergence last year of Dragon Airlines, which with one leased Boeing 737 and an impressive Pekingese pedigree has taken on the might of Cathay Pacific, the territory's unofficial flag carrier controlled by two of its biggest names—Swire's and the Hongkong Bank.

Of the two issues, the duel between Dragonair and Cathay is the one which has already caught people's imagination. The fight has been bitter, public and, so far, broadly even. Neither has won much, while Dragonair has continued to lose money and Cathay has seen its public image dented.

The two are now at loggerheads over services and routes to Europe, the US and elsewhere. But the dispute which brought everything into the open was the two airlines' battle last year for a licence to fly to Peking.

Dragonair, presenting itself as a regional carrier geared to the domestic market, applied for permission to fly to Peking, Shanghai and eight other centres. Cathay, saying it had long sought Peking and had built up the market since starting Shanghai flights in 1980, opposed Dragonair's applications for the two main cities.

Hong Kong's licensing authority, basing its view on the government policy of one carrier per route, decided in favour of Cathay and gave Dragonair the eight other centres. It was Dragonair's frustration at Cathay's refusal to concede on the two routes vital to Dragonair's success as a China operator which led it to consider long as well as short routes elsewhere and to take on Cathay directly.

Now the two are battling for routes to Amsterdam and Manchester, and Cathay is opposing Dragonair's application to fly to London. Meanwhile Dragonair has overcome warnings from Cathay to win licences to fly to four destinations in Thailand and has applied separately for four US cities not operated by Cathay, including Los Angeles and Houston.

It is an unseemly battle and one which could damage Hong Kong's longer-term interests without a compromise which divide routes, perhaps in a way done by airlines like BA and BCal or Air France and UTA. The two airlines have already held talks but to little effect. The insults already traded have pushed the gap of understanding too wide.

To many some sort of accommodation seems essential if the two are to survive the transition to 1997 and, more importantly, if an awkward political clash between the British and Chinese governments is to be avoided. There are few matters more political than air services agreements and designations and licences for air carriers, and the Cathay-Dragonair fight fits the mould well.

Dragonair's main Hong Kong shareholders as of last November are Sir Yue-kong Pao, the Hong Kong shipping magnate, who holds 35.2 per cent, and Mr Ronald Chao, who holds 24.7 per cent. Mr Chao is the son of Mr K. P. Chao, who had launched the business earlier in 1985.

The principal mainland interest is the 25 per cent shareholding of the Hongkong Macau International Investment Company, which is in turn 25 per cent owned by the Bank of China, a key economic agency of the Peking government.

The investment company, capitalised at HK$500m, was originally set up along with overseas Chinese businessmen to seek commercial opportunities with the Chinese government. Dragonair is the first such venture. Other links with Peking stem from the personal contacts of Sir Y. K. Pao and Mr K. P. Chao with top Chinese leaders like Deng Xiaoping and Zhao Ziyang.

Matters are complicated, however, by CAAC, China's national airline. This is itself a powerful bureaucracy, being China's aid regulatory agency and part of the air force. CAAC is reckoned to have had its own interest in thwarting Dragonair's progress: it already has 57 flights to Hong Kong each week, against only six by British carriers into China.

Dragonair's mistake in the early days was its failure to appreciate how important air routes are to commercial success. Its current shareholding structure is now designed to demonstrate that it is "British" through Sir Y. K. Pao and Mr Ronald Chao, so that London can negotiate terms with Peking for a belated start-up on its China routes.

Even then China must itself agree to accept Dragonair at the eight centres, some of which are classified as military airfields. As matters stand, meanwhile, Dragonair is managing to keep its 737 in the air up to seven hours a day on regular charter flights—three a week to Nepal, five to Guangzhou, two to Xiamen and the odd service to East Malaysia. More charter flights are due to start soon.

Dragonair admits that it has been losing money and analysts estimate that the loss so far is of the order of HK$30m. With paid-up capital at HK$200m it can afford to wait. But it has the overheads for three aircraft and commercially-minded shareholders, so it must be hoping that with the extra flights to Thailand the corner can be turned.

As for Cathay, its hugely successful sale of shares to the public in April—the largest offering ever in Hong Kong—has helped to establish more of a local identity by creating a larger pool of individual and institutional Hong Kong shareholders. They now hold 22½ per cent of the company, with Swire Pacific owning 54¼ per cent and the Hongkong Bank 23¼ per cent.

Cathay was furious at Dragonair's early claim to be a truly Hong Kong airline and acted quickly to counter this through the share offer. Certainly it did not need the cash. The irony is that Dragonair now needs to claim it is British, while Cathay will probably have to go still further before 1997 if it is to protect its routes subsequently.

By contrast the airport problem seems less immediate. Public interest in the issue has waned since 1983, when the government dropped plans to flatten a small island off the north shore of Lantau Island and build runways and terminals there.

The project would have been vast, involving urban development on Lantau as well as surface transport to Kowloon and Hong Kong island. The only alternative site is on muddy Deep Bay, which is already close enough to the new Chinese city of Shenzhen to make other possibilities across the border worth considering.

That in turn would beg numerous questions about relations between the autonomous government of Hong Kong, the provincial government in Guangdong across the border and the Peking authorities. But the fact is that Shenzhen has already completed a feasibility study for an international airport, albeit 30km from the city, and Hong Kong is evidently as far away from getting a second airport as ever.

That said, no one in Hong Kong thinks that finance would be an insuperable problem, since Kai Tak would not be expected to continue in operation. Redevelopment of the airport and its environment would increase its value substantially, providing a powerful motive for action. Plainly, the second airport could be one of the hottest local issues of the 1990s.

Chris Sherwell

Rich rewards in power by the hour deals

Profile of Hong Kong Aircraft Engineering Co. (Haeco) by David Dodwell

WHEN British Airways decided to gut and refurbish its fleet of Boeing 747 aircraft, it turned not to a UK company, but to Hong Kong Aircraft Engineering Company (Haeco), an aircraft maintenance company 7,000 miles across the globe.

Its 28 aircraft were stripped and refurbished inside, two exit doors were removed, and each aircraft was repainted in British Airways' new livery. The job was done in 13 days, and earned the Hong Kong group HK$45m.

Haeco claims to be the world's largest independent aircraft maintenance group. The claim is contentious, because it is in fact closely linked with Cathay Pacific, Hong Kong's de facto flag carrier. But there is no disputing of Haeco's operation.

Last year, the group earned an attributable profit of HK$115.5m on business amounting to HK$847m. Turnover has risen by more than 40 per cent in the past two years, with profits almost doubled.

Alongside British Airways, it has won a HK$70m contract from United Airways of the US to provide maintenance and overhaul support for the six Lockheed TriStars taken over from Pan Am as part of the deal in which it has taken over all of Pan Am's Pacific routes.

A further HK$247m contract has been won to modernise mainland China's fleet of short-haul Y7 and Y12 aircraft. This deal is expected eventually to involve 190 aircraft.

Haeco was set up in 1950 to provide engineering and maintenance support for aircraft in the isolated but fast developing Far East. It fell under the wing of Britain's Swire group in 1975, and has since then shared with Cathay Pacific the benefits that have come from exponential growth in the region's airline business.

As a matter of routine, it handles all the traffic movements through Hong Kong's busy Kai Tak airport, meeting emergency maintenance needs and providing routine servicing. Most important, however, are "base maintenance" contracts for a wide range of international carriers.

"We moved into heavy maintenance almost by osmosis," says Mr Graham Howat, the group's chief executive. A major breakthrough came in 1974 when Gulf Air asked Haeco to provide a comprehensive maintenance contract. For Haeco, the idea of "power by the hour" was born. It agreed to meet every servicing need for Gulf Air's 11 TriStars, being paid a rate based on the number of hours each aircraft is in the air.

Since then, a number of similar contracts have provided Haeco with a stable baseload of work in what Graham Howat admits is one of the most "peaky" businesses in the world. Major long-term clients include Bangladesh Biman, Air-Lanka, Air Niugini, Air Nauru and Royal Brunei Airlines. Occasional contracts come from carriers as diverse as Singapore Airlines, Transcorp, British Airways and even People Express.

A second catalyst for the group's development was Cathay Pacific's purchase of a fleet of TriStars. It has led to Haeco becoming a world leader in TriStar maintenance.

As Lockheed has stopped manufacturing TriStars, so major international airlines—including Cathay Pacific—have begun to replace them with more modern aircraft, selling the secondhand TriStars to smaller national airlines mainly in the third world.

The result for Haeco is likely to involve more work rather than less up to the end of the century, since many of these smaller airlines lack the in-house maintenance capabilities that the major international carriers have. Haeco claims to have more than 60 per cent of the "loose" market in TriStar servicing.

From the wide bodied TriStar, the shift to Boeing 747s was a simple one, Graham Howat claims. Cathay Pacific's choice of Rolls Royce RB 211 engines for its entire fleet—Jumbos and TriStars alike—has given Haeco considerable expertise in maintenance of aircraft using this engine.

Even as small airlines acquire maintenance and servicing capabilities of their own, so Haeco retains an indispensable role in the region providing the more complex maintenance needs—like vacuum brazing, spark erosion, plasma spray and aluminising. Haeco's expertise providing "high-flown pneumatics"—the air conditioning and cabin pressurising systems essential for all aircraft—is also rare in the region.

The most recent quantum leap in Haeco's development is its joint venture with China's National Aero Technology Import Export Corporation. The venture, called SCAT—South China Aero Technology—is likely to be the vehicle for most of the business sought by Haeco in mainland China.

To talk of prospects in China as giddying is no overstatement. The contract to refurbish the country's aged Y7 and Y12 fleets—most of the work is being done inside China in Xian and Harbin using kits and materials supplied by Haeco—is likely to be no more than a start as China's civil aviation industry plunges into a period of hectic growth.

New regional airlines are busy laying plans to buy their own fleets, while the aviation authorities in Peking have ordered a dizzying variety of aircraft.

"The Chinese Government has bought itself a product support nightmare," says Graham Howat: "It will nevertheless be a massive market for aircraft sales, and to some extent aircraft servicing. They are going to need expertise in maintenance and overhaul services for a very long time to come." Needless to say, SCAT hopes to be well placed to capitalise on this need.

Graham Howat jests that he has warned his senior Hong Kong Chinese staff that China is so important to the future of Haeco, and Haeco so important to China's airline industry, that future Chinese Aviation Ministers could be drawn from their midst. It may sound far fetched, but many a true word. . .

Graham Howat, chief executive of Haeco: last year the group earned HK$115.5 on turnover amounting to HK$847m.

Electronics

The year the dominoes fell

DATA GENERAL, the US computer company, recently announced plans to close its Hong Kong factory with a loss of 250 jobs after 13 years' operation in the territory.

This is the latest in a series of blows over the past 18 months that have shaken confidence in a sector once thought to be among the brightest and most promising in the economy.

It involves the loss of one of a tiny group of Hong Kong-based electronics manufacturers which are capable of high-technology production as opposed to consumer or "fad" electronics—radios, toys and cheap watches—which account for 60 per cent of the local electronics output.

Data General's withdrawal does not reflect unfavourably on Hong Kong. It is linked with wider problems for DG and for electronics manufacturers worldwide over the past 18 months. Mr Bill Wyllie, the Australian who heads BSR International, recalls 1985 as "the year the dominoes fell."

In Hong Kong the statistics speak for themselves. From 1,342 electronics factories at the end of 1984 only 1,120 exist today. The workforce employed in these factories has shrunk by nearly 25 per cent, from 99,200 at the end of 1984 to 77,600 at the end of last year.

After the textile and garment industry, electronics nonetheless remains Hong Kong's second largest export industry. Last year domestic exports amounted to HK$27bn, just under 21 per cent of total exports.

Even the strongest local manufacturers suffered badly. Nam Tai, the world's third-largest producer of calculators, saw its sales fall from HK$500m in 1984 to HK$250m last year. Its lesson has been to begin diversification into new products—electronic scales, thermometers and even typewriters.

Conic, once Hong Kong's largest electronics manufacturer, is now convalescing in mainland Chinese hands after losses that reached more than HK$250m two years ago. Before a corporate reconstruction it almost went under with debts topping HK$1bn.

Elec and Eltek, which went public in a blaze of publicity two years ago, has seen profits of HK$122m in 1984 slide into losses last year of HK$133m.

Even BSR, one of the territory's sounder manufacturers, saw its turnover slump from £403m in 1984 to £262m last year. A pre-tax profit of £26.8m was replaced by a loss of £5.9m. The chairman, Mr Bill Wyllie, spoke of 1985 as "the worst year the industry has experienced in its recent history."

Companies blame heavy retrenchment in the US, which accounts for 45 per cent of sales, and the collapse in the first half of last year of demand from mainland China.

Substantial as it is, the industry remains dominated by consumer and "fad" electronics. Watches and clocks accounted for 24 per cent of sales last year, portable radios for 12 per cent and telephone sets a further 7 per cent. Add to this the substantial electronic component of moving into toys and an even larger proportion of output is exposed to the whims and vagaries of consumer tastes.

In part this is inevitable. Mr Richard Day, a local commentator and publisher on the electronics industry, notes that mass production lines "do not go very well with the flatted factories that are normal in Hong Kong."

"Dependence on fad electronics is both a weakness and strength," says Mrs Alice Lai, assistant director for industrial support in Hong Kong's Industry Department. "It suits well the highly flexible local workforce, requires comparatively small capital investment, and promises substantial profits for those who are fast enough on their feet."

Even so, the Industry Department is pleased to see the dominance of the volatile consumer electronics sector being diluted. At the end of 1983 it accounted for almost 72 per cent of output—10 per cent more than it accounts for today.

Officials point to the emergence of concerns producing multi-layer printed circuit boards, customised integrated circuits, and adapting quickly to surface-mounting techniques as signs of greater maturity.

BSR International, one of the few companies that have shunned consumer electronics in favour of computer power supplies, tuners and demodulators, radio frequency products and a range of computer products, sees clearly the niche it has the capacity to fill.

"We are not prepared just to assemble," said Mr Peter Carten, head of group communications. "Unless you are adding something of value you are very vulnerable to competition. At the same time, we don't see ourselves researching into new technology. Instead, we take the latest technology and develop it. We add engineering."

At Lambda Technology, Mr Andrew Chuang has learned a similar lesson. With 60 per cent of output accounted for by telephones and a further 30 per cent by watches, his company profited handsomely three years ago from the passing craze for novelty telephones and watches. Interest has now waned, with many customers disappointed by the slapdash quality of those early products.

Substantial in-house research is now concentrating on more up-market models which appeal because of their reliability, classic styling, and range of functions.

Two years ago China was seen as a potential panacea for the local electronics industry. While manufacturers worldwide suffered as demand from the US went into a steep decline, Hong Kong was buoyed up by meteoric growth in demand for a wide range of consumer electronics. Nam Tai, for example, saw China account for nearly 35 per cent of its sales of calculators in 1984—putting it on a par with the US as a market.

In addition, investments in joint ventures on the mainland involved in simple sub-assembly work enabled Hong Kong companies to cut labour costs at a time when it was becoming increasingly difficult to match wages paid to workers in Taiwan or South Korea.

Today, Hong Kong's link with China appears more of a blight than a bonanza. Foreign exchange shortages have resulted in a slump in demand for electronic goods. Nam Tai has seen sales dwindle to little more than 10 per cent of output and this fall was an important factor in last year's slump in turnover.

More important, it has become clear that while manufacturers in other countries were being forced to automate and upgrade technological capabilities in order to survive, counterparts in Hong Kong had leaned back on a cushion—now punctured—that leaves them two years behind their competitors.

"There was a gold rush into China that pre-empted any need to invest in up-to-date technology," said Mr Day. "Companies have estranged traditional buyers and now find themselves using machinery that can be four years out of date. In short, they have fallen even further behind competitors overseas."

"They are in trouble, but it doesn't mean they can't get out," says Mr Vincent Ng, an adviser on the electronics industry to Hong Kong's Vocational Training Council.

He urges closer attention to sales and marketing and more investment in training high-calibre engineers, but he argues that as long as manufacturers recognise that they cannot produce "prime technology" their flexibility should ensure an important niche for the local industry.

In free-enterprise Hong Kong the government finds itself in a quandary about how to help the industry. It is unwilling to provide specific investment incentives or concessions, seeing its own role as limited to providing an efficient infrastructure. It has provided HK$50m for the automation of industry and is making plans for an integrated circuit design centre.

Proposals for a venture capital fund have also been made because of complaints that local banks are unwilling to finance investment in manufacturing industry. The absence of specific incentives has led to complaints that overseas investment in electronics has suffered.

Data General's withdrawal may be a good case in point. The government's response has been not to provide a range of incentives but to publicise more widely Hong Kong's more general attractions—low tax, minimal government intervention, excellent communications and a highly adaptable workforce.

As a result, inward investment has risen over the past three years. Of 35 projects completed since 1983—worth HK$338m—18 were agreed last year.

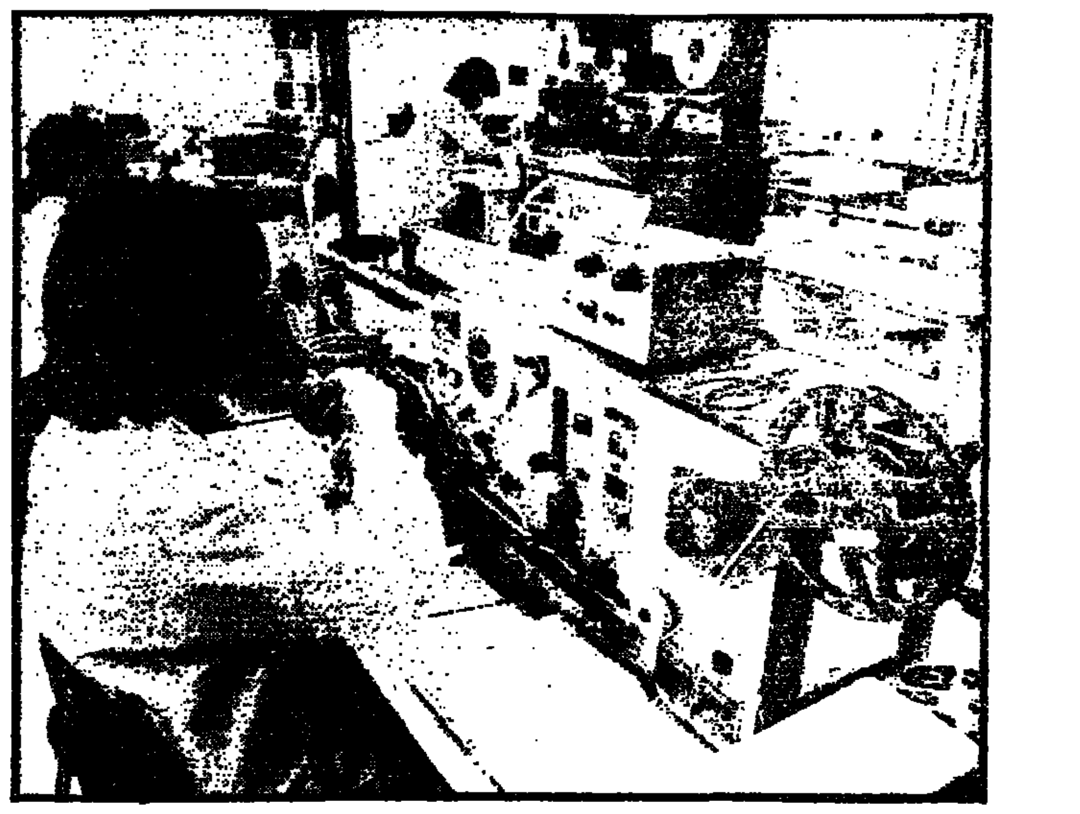
Typical is a venture headed by Mr Allen Lee involving Ava Electronics in Hong Kong and Hercules of the US. Called Mica-Ava, the group has in the past month begun manufacturing copper-clad laminates for making basic printed circuit boards. An investment of US$10m in a Hong Kong plant is balanced by similar investments making the same product in Guangdong and Wuxi in mainland China.

If 1985 was a bad year this year shows signs of being much better. There have been signs that demand in the US is recovering after the large-scale destocking that occurred last year. Equally important, appreciation of the Japanese yen has greatly improved the price competitiveness of Hong Kong manufacturers.

Of greater potential importance are signs that Japanese manufacturers see the exchange-rate shift as a long-term one and are considering investment overseas to reduce their production costs and protect their international market share.

The critical question is whether these Japanese manufacturers will decide to invest in Hong Kong. Most observers assume that companies in South Korea and Taiwan will benefit most, but even a small share of that business could provide the Hong Kong electronics sector with a stimulus that it urgently needs.

David Dodwell



One of the many electronics plants in Hong Kong

Follower of consumer trends

Profile of Applied Electronics by David Dodwell

RAYMOND HUNG, founder chairman of Applied Electronics, could once have boasted of heading one of the highest technology enterprises in Hong Kong. Today the cornerstone of his business is toys.

"We can't afford to depend on the computer assembly business," he says with a look that could pass for embarrassment; "It just doesn't provide enough work and there are still too many bankruptcies."

This experience indicates both the strengths and weaknesses of the Hong Kong electronics manufacturers. The absence of own-technology products, and concentration on OEM assembly for clients in the US, makes them extremely vulnerable as the market has turned sour for the US giants.

At the same time the flexibility for which Hong Kong businessmen are well known has thrown Applied Electronics into electronic toy manufacture when many companies in other countries would simply have withered and died.

It is a sign of renewed confidence that Mr Hung has, in the past three months, opted to float 25 per cent of the shares in Appled Electronics. Since a spate of public offerings from electronics companies in 1983—many of them highly opportunistic, and pitched just before the world market went into recession—such flotations have been few indeed.

In 1983, 80 per cent of his company's output was floppy discs and other computer components for big customers like IBM, Wang and Olivetti.

Today, all that remains is OEM manufacturer for Commodore that accounts for less than 20 per cent of output. Most of his 1,600 workers are making electronic toys—computer games, children's learning aids, and talking animals.

"Electronic toys are risky but the profit margins are better," says Mr Hung: "All we have done is follow the consumer electronics trend."

Another trend he has followed is to allow his Hong Kong-based workforce to dwindle as new factories have been set up in mainland China.

Just 350 workers now remain in his three-floor factory in Aberdeen, on the south side of Hong Kong island. Printed circuit board sub-assembly has been transferred to Pingwu and Huangjiang in the nearby Guangdong province of China.

This month Huangjiang will also begin manufacturing the dolls that will be "talking" to thousands of children, next Christmas. A third factory making plastic toys and figures will be at work in China by October.

"Low-cost manufacture in China has been important to us," Mr Hung says. "Without it we would be struggling to stay competitive with Korea or Taiwan.

"But if we were to rely on Chinese management we would be finished. They supply workers straight from high school and we provide everything else—raw materials, assembly lines, testing equipment, and up to 30 Hong Kong staff for each factory."

It takes Mr Hung three months to train his mainland Chinese workers, compared with a month in Hong Kong. Their productivity is about 70 per cent of that of a Hong Kong worker after three months, and about 90 per cent after six months.

"If a product line continues for a year then the Chinese plant becomes more productive, simply because the turnover of the workforce is minimal," he says.

Another advantage of production in China is that low labour costs mean he can keep workers on the payroll during the quiet months between busy seasons. Higher costs in Hong Kong would make this impossible at his Aberdeen factory.

"If you had asked me in 1983 which way we were headed I would have said we were moving up into higher technology and abandoning the consumer electronics end of the market," Mr Hung recalls. "With 80 per cent of our output in things like floppy discs and personal computers, and with heavyweight customers like IBM and Wang, we though we had every right to be confident."

By 1985, however, the worst year in the history of high technology industry, both IBM and Wang had stopped their orders and were producing only in the US. "We are still manufacturing for Commodore, but they are financially very weak . . ."

Stock Market

Four into one can go

"WHEN PEOPLE congratulate me I feel like a jilted wife whose husband comes back and apologises. I don't need it." Mr Ronald Li Fook Shiu, chairman of the Hong Kong Stock Exchange, is fond of such quotably picturesque analogies.

This one describes his reaction to the widespread satisfaction at the early days of operation of the new Stock Exchange after years of struggle and dissension in its establishment.

Until this year Hong Kong had four stock exchanges: the Hong Kong, Far East, Kam Ngan and Kowloon. Now it has one, located at the foot of the spanking new Exchange Square complex and still to be officially inaugurated with great ceremony this autumn.

Bringing the four together was not an easy task either for the authorities or for the parties themselves. At the end the major dispute was about the HK$70m computer system which is at the exchange's heart. The debate is continuing, but at least everyone is agreed that, as far as it goes, the system works. Hence the unwanted congratulations to Mr Li.

The system, created by Jardine Logica, is different from other computer-oriented methods being introduced on other stock exchanges around the world. Though it is sophisticated, it does not follow the trend towards off-floor trading, nor to automated execution. Rather, it replicates previous market methods, essentially putting the former chalk-board on screen.

Of the 930 member firms of the old exchanges, 678 have a place on the new floor. The rows of trading desks are ranged around a central floor, but unlike every other exchange the floor is empty.

There is provision for traders to break on to the floor and trade there only if the computer system is unable for some reason to handle incoming bid and offered prices. One such occasion was the first day of trading of Cathay Pacific shares in May, when record business was done, virtually all in that company's shares.

Bid and offered prices are inserted into the computer system by brokers at their terminals on the floor. Other brokers see these prices, identified by the inserting firm's number, on the screen. They then telephone the broker concerned if they want to do business, with the call going from booth to booth on the floor and being tape-recorded in every case.

In order to do business, therefore, brokers must be physically on the floor and transact over the phone with another broker on the floor.

Provided one accepts these two constraints, the system appears to work well and is impressive to watch, particularly in active stocks. There are 260 equities listed. Each trade must be reported into the system within 15 minutes, and then its size and price appear on the price page of the equity concerned. The computer compiles a 20 most-actives list every 30 minutes.

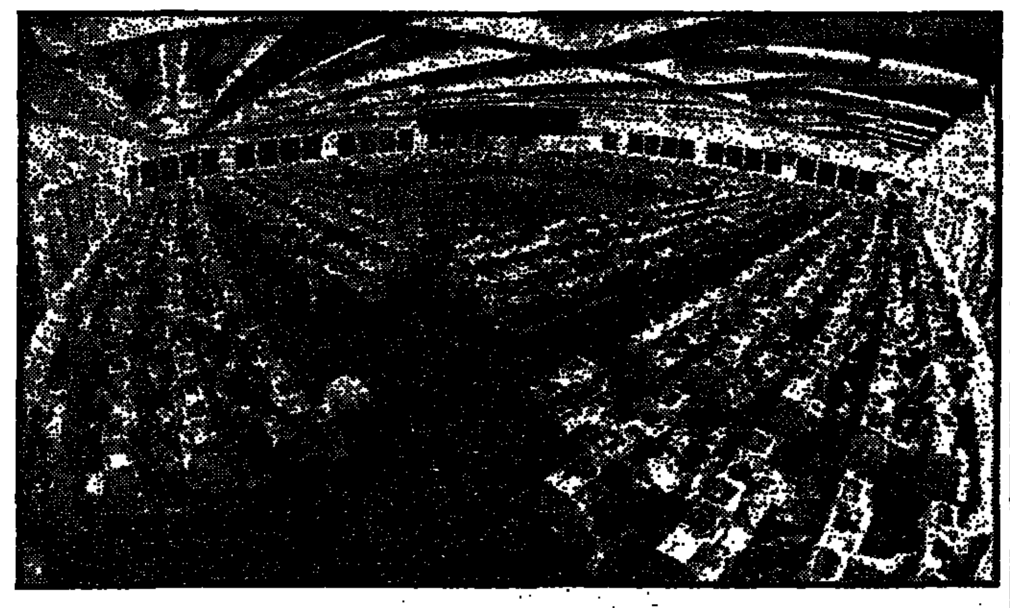
Mr Li says automatic execution of orders was rejected because it would deprive brokers of flexibility, could create a queueing system which would delay execution of orders, and make the market vulnerable to human error—such as pressing the wrong button.

His main concern, however, is clearly to protect smaller, locally-owned broking firms which might be squeezed out if the computer took care of execution. Many larger, particularly foreign-owned, brokers are in favour, and an expansion of the system to provide for automatic execution of small orders in the bigger stocks is now under consideration, Mr Li says.

Of more immediate concern, however, is the need for a centralised clearing system, replacing the hand-carrying of scrip around Hong Kong, and the establishment of a depository system which would permit stock lending. Mr Li also says that the compensation fund, another point of dispute before the exchange's foundation, should be completely revamped. Also possibly on the agenda is the creation of a "second market" list of stocks for up-and-coming companies.

For the moment, however, the effect of the new exchange—to which the whole market is still in the process of getting accustomed—has been to increase volume, though this may be because all bargains are of necessity now being reported. It has also meant that floor brokers have less need of muscle to shoulder their way to the price board and more need of a delicate touch on the keyboard.

Alexander Nicoll



A future for commodities

AFTER the scandals which befell the commodities exchange established in 1976, its reformation as the Hong Kong Futures Exchange was no mean feat.

Mr Kim Cham, its enthusiastic chairman, even had an uphill task in the late stages when, with all other hurdles successfully negotiated, he sought commitments from new potential members.

Since trading in Hang Seng Index futures got under way in early May, however, he has had good reason to feel encouraged. Volume has been getting up to about 2,500 contracts a day, each worth about HK$80,000. Traders on the floor, from 80 member firms, show keenness matching Mr Cham's.

The trading method is open outcry, with the assistance of a floor manager. Interplay between the stock and futures markets is fostered by a display of futures prices on the floor of the stock exchange, and by the constantly updated feed of the Hang Seng index appearing on the futures exchange screens.

Mr Cham's top priority is to develop local liquidity in the stock index contract before attempting contracts with more international appeal. So far a healthy mix of interest appears evident, with the prominence of brokers such as Sun Hung Kai suggesting small investor orders and the presence of brokers such as James Capel indicating institutional interest.

In the longer run, potential contracts include currencies, interest rates and commodities. Mr Cham sees options, where the buyer pays the whole premium up-front, as potentially of great interest to Hong Kong investors. Among commodities, emphasis will be placed on those produced in China, which has already displayed an interest in futures markets.

The exchange is considering expanding the delivery points for its soyabean contract and adding cotton and corn futures.

With the Hong Kong dollar pegged to the US dollar, there is no potential for local currency futures, but Hong Kong's position as a foreign exchange trading centre could produce interest in Deutschemark and yen futures against the US dollar. There could also be scope for Hong Kong dollar and Eurodollar interest rate contracts.

Banking

New regulations aim to end sloppy procedures

POWERFUL FORCES are sweeping across Hong Kong's banks, challenging even the most nimble of bankers.

The series of failures of local banks over the past two years have, if anything, left the authorities more convinced, rather than less, of the health of the banking system.

"Any system which has coped with what this one has coped with is healthy," says one official. "The potential for problems is still there, but I do not fear large-scale unknown problems of the type that we have had to face already."

But such confidence can only be expressed now after some traumatic collapses and rescues, including several directly involving the Government, which is now the reluctant owner of two banks. Others have been nursed into the arms of private sector rescuers, and there are still a few on the list of the troubled.

The imprudent and improper banking practices which the crisis has exposed are the target of the new Banking Bill which is now taking effect. It imposes more rigorous requirements for reporting, capital, liquidity, lending, ownership and management.

It is not the case, however, that the new aura of confidence which the Bill should inspire will allow bankers to settle down for an easy ride. In what is already one of the world's most competitive centres, several other factors are at work:

- Loan demand is weak and shows little prospect of marked improvement at a time when the global trend towards securitisation is already eroding traditional lending business and when major banks are suffering from soured loans to the shipowning community.
- Banks' traditional five-percentage-point margin between lending and borrowing rates, protected by a deposit rate cartel, is being chipped away from all sides. There are calls for the deposit rate agreement, introduced in 1964 to restrain excessive competitive zeal, to be abolished.
- Demand from corporate customers for electronic banking services is putting pressure on banks to spend heavily on technology in order to keep up.
- Probably most significant of all, the Bank of China and its 12 sister banks in Hong Kong have launched a fiercely competitive drive to increase their market share on all fronts. Conversely, lending to China still accounts for only a fairly small proportion of Hong Kong banking business.

Although there are hopes for a sharp rise in this business, a cautious prognosis is probably more realistic. China drives a very hard bargain on the lending business which does come the way of Hong Kong banks.

The industry which is subject to all these influences is already widely seen as heavily overpopulated. There are over 140 banks in the territory and *many more deposit-taking companies*—though the latter sector is now contracting partly because market developments and regulation have made DTCs outmoded in some ways.

Even the banks, however, have more than 1,500 branches between, them and some, such as sister banks, are expanding *their networks*.

Many banks in Hong Kong have been family-owned, and the recent failures have shown up sloppy procedures deriving in the world of one official, from "19th-century banking." Such banks will be under pressure as the new regulations take effect.

A particular target of the new rules is excessive exposure of one bank to one customer. Loans to one customer will now be limited to 25 per cent of capital and reserves, and they must be reported to the Banking Commission if they exceed 10 per cent.

Also aimed at better management control of banks are provisions requiring disclosure of ownership of 10 per cent of a bank; approval by the Commission of all directors and company secretaries; approval for more than 50 per cent control to be exercised over an institution; and approval for lending to the institution's holding company against the security of that company's shares. The Bill extends regulation to deposit-taking companies.

The Bill imposes a new capital requirement of 5 per cent of risk assets as defined by the Commission, to be introduced over a two-year period with discretion to adjust the required level. The system parallels initiatives being taken elsewhere in the world.

Among off-balance sheet risks, for example, underwriting commitments assumed in note issuance and other such facilities are given a 0.5 risk weighting if they are on an institution's books for more than three months. Liquidity ratios are also fixed in the Bill.

Overseeing it all will be a Banking Commissioner—currently Mr Robert Fell—with enhanced and far more clearly defined powers as well as responsibilities, and with the ability to work more closely with banks' auditors.

Although the new capital requirements will not put major banks in urgent need of new capital, enactment of the Bill could well bring the forced or voluntary closure of some banks and the continued diminution of the number of deposit-taking companies.

Some may, in any event, see the writing on the wall as a result of the growing role of the China-controlled banks. These now occupy second place in terms of share deposits, with outsiders guessing that they now have about 25 per cent of the market through some 260 branches. This is still well behind the Hongkong and Shanghai Banking Corporation group, which has many more branches, but the gap is probably narrowing.

Mr K. W. Wu, general manager of the business division of the Hong Kong-Macau Regional Office of the Bank of China, says the growth rate in deposits in 1985 was over 30 per cent and that since 1978 the increase has been 530 per cent. Though he will not estimate the overall market share of the 13-bank group, he says it has increased 5 per cent since 1978.

"Retail business has been our basic activity until now," Mr Wu says. "We have to increase our branch network, but compared with the Hongkong Bank we are still lagging behind . . . We are also expanding wholesale banking."

The group is known to offer highly competitive rates on property and other commercial loans, though Mr Wu is keen to stress that such loans are made on commercial grounds and with a view to profit "just as the other banks do."

Although the Hongkong Bank is not sitting idly by in contemplation of this challenge, its management, due to be taken over later this year by Mr William Purves, clearly faces *important strategic decisions* over the next few years.

It has already had to face the marked deterioration of its shipping loan portfolio, a disappointing economic performance by Hong Kong itself last year, and narrowing margins on domestic business. Although it has bought the London stockbroker James Capel, a European banking arm remains elusive. The group has, however, been spending heavily on electronic banking and appears well-placed in this field.

The squeeze on domestic margins is made all the tighter by current pressure on the Interest Rate Agreement under which the Association of Banks sets rates for all deposits below HK$500,000. The sharp rise in foreign currency deposits—attributable to interest rate differentials and to the local currency's $7.80 peg to the US dollar—has already made the agreement look less relevant.

Even for small depositors, banks offer swap arrangements providing a higher return than is available on local deposits. Now, proposals for unit trusts arising out of the fast-developing *capital markets have posed* a more direct threat.

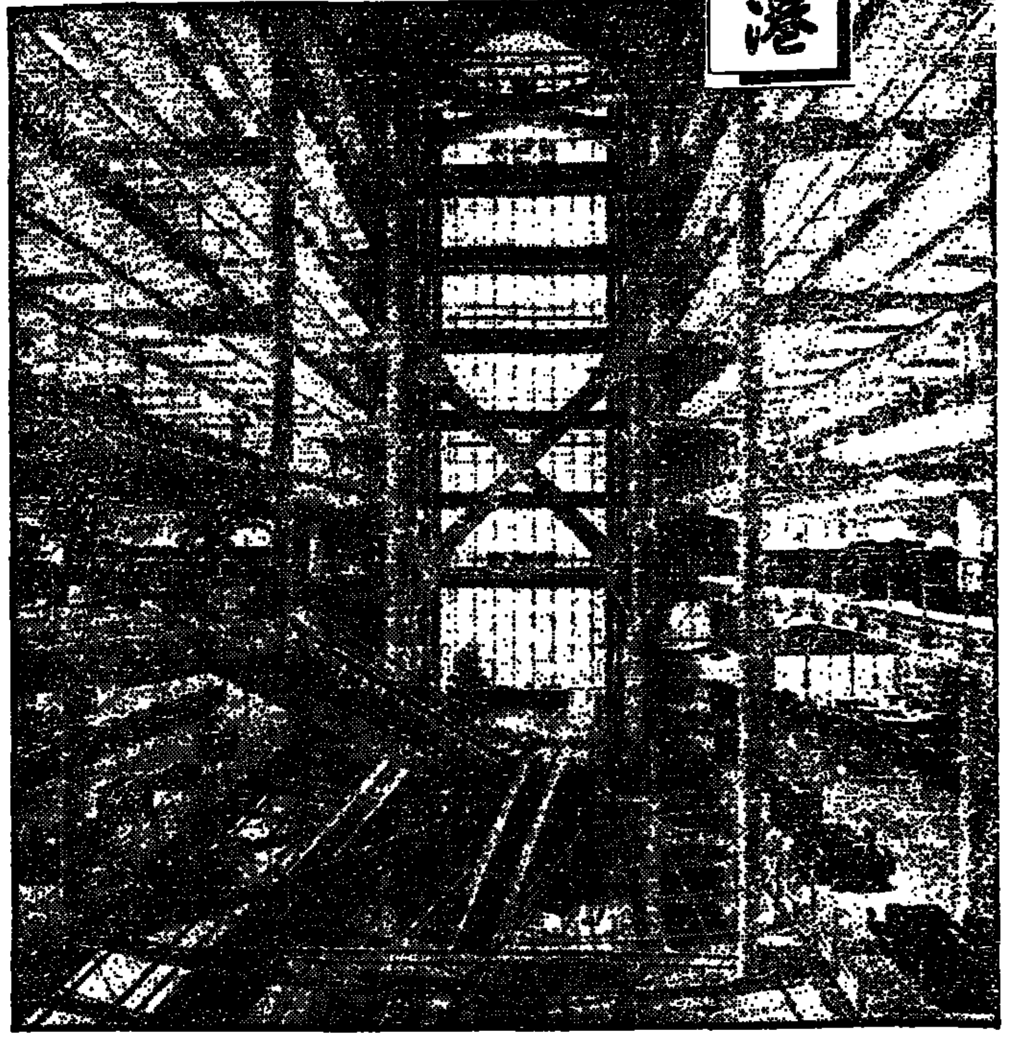
The stock argument for the agreement is that it protects both small banks and small depositors. While most people believe some form of protection of small depositors is probably in order, they also believe that it is not the smaller but the bigger banks, and particularly the Hongkong Bank, which are threatened by the agreement's erosion.

The agreement's most public defender is Mr Peter Wrangham, general manager of the Hongkong Bank and also chairman of the Association of Banks, who says that it should be kept because it is the only monetary tool controlling the relationship between the exchange rate and interest rates.

In the Pacific area, the majority of countries have a form of exchange control or rigid control of exchange and interest rates," he says. "In western countries there are monetary controls which affect both factors. In Hong Kong we have neither. Some element should be retained which can influence monetary factors."

Other bankers *are surprised* by this explanation, arguing that if a monetary tool were required a less crude one could be devised. But they do generally expect the core of the agreement to be retained, even while investment vehicles providing higher than the agreed returns are allowed.

Alexander Nicoll



William Purves who takes over at the Hong Kong Bank later this year faces important strategic decisions. Right inside the new headquarters of the Hong Kong and Shanghai Banking Corporation

Banks in trouble in the past year:

Overseas Trust Bank failed spectacularly in 1985 and, with its subsidiary Hongkong Industrial and Commercial Bank was taken over by the Government. *Criminal proceedings are under way.*

Ka Wah Bank has been taken over by a Chinese investment arm, China International Trust and Investment Company (CITIC), though its doubtful debts are to be guaranteed by the Hong Kong government.

Union Bank is now temporarily under the management of Jardine Fleming, appointed by the Government.

Wing On Bank has been taken over by Hang Seng Bank after encountering doubtful debt and liquidity problems.

Far East Bank has been taken over by IBI Asia. It is thought to have slipped into loss last year but specific problems have not been disclosed.

Capital Markets

Securitisation of debt reveals innovative skills

THE WORLDWIDE trend to securitisation of debt has not passed Hong Kong by. International bankers, facing drastic shrinkage in the Asian syndicated loan market for which the territory has been a *centre, have been applying* their innovative skills to new instruments.

Since the beginning of 1985 growth in the local debt markets has been meteoric. From virtually nothing in 1984, there were HK$7.2bn of certificate of deposit issues last year, and this year the pace has been even faster.

As in other centres, the banks' desire to get assets off the balance sheet, making money through fee-based activity and trading, has coincided with the desire of borrowers to issue securities as interest rates fall. At the same time there has been the sweeping growth of swaps, which allow payment and income streams to be adjusted precisely to meet the customer's requirements.

Chief among the borrowers in Hong Kong have been banks, leading local companies and Chinese instrumentalities. Since there is a shortage of local top-quality corporate names, the fervent hope is that China will step up its use of the Hong Kong market even further. So far, however, it drives a hard bargain in setting terms for the borrowings it makes.

Mr Patrick Thomas, managing director at Manufacturers Hanover Asia, said in a recent speech: "Hong Kong's future as a major financial centre depends to a large extent on the growth of China business (of which there is certainly not enough to go round for everybody) and the growth of the domestic capital market. For this reason we consider it fundamental . . . to maintain the growth of the Hong Kong dollar capital markets."

Among the pioneers of the market—excluding the bankers and lawyers who have transplanted many Euromarket techniques to the local market—have been the territory's two *largest debtors*, Mass Transit Railway Corporation (MTRC) and Hongkong Land.

The MTRC has issued commercial paper, fixed rate bonds and floating rate notes, in Hong Kong dollars, as well as bonds overseas of which the proceeds have been swapped into the local currncy. Last year, for example, it arranged HK$2.18bn of interest rate swaps, of which HK$307m were also currency swaps.

Most bond issues are treated as CDs for tax and legal reasons.

The debt market is unusual, however, in that it lacks what would be a normal ingredient elsewhere: paper issued by the host government. The Hong Kong government has long pursued a policy of balanced budgets, and shows no desire to enter the market. Nor has it been keen for foreign issuers, such as the World Bank, to do so.

This is on the argument that the fixed peg of the local currency to the US dollar at HK$7.80 would be undermined if there were too many foreign borrowers of Hong Kong dollars who had no actual need for the currency.

The range of potential borrowers has, therefore, already been *well tapped*, and the market will depend on continued use by them. While there is probably no lack of banks willing to issue paper at fixed rates which can be swapped into very cheap floating rate funds, there is a dearth of local top-name corporates with a natural demand for fixed rate money.

The key challenge for the merchant banks inolved is now to develop a full range of end-investors and a sufficiently deep secondary market. This is the direction of most current efforts. Mr Oliver Greeves, managing director Chase Manhattan *Asia, observes that* "securitisation and disintermediation don't necessarily take place at the same speed."

A glance at the balance sheets of many local merchant banks suggests that many of them, rather than selling on Hong Kong dollar capital market paper to end-users, are in fact *holding large inventories of* paper.

That they should do so is natural when many banks are short of assets amid very high liquidity in the Hong Kong banking system, with loan demand so low. But the phenomenon poses risks for the banks when interest rates start to rise, and it means that in the long run the market could die in the absence of true end-investors.

At the initiative of Banque Nationale de Paris a local capital markets association has been established. This is intended to take care of the nuts-and-bolts measures that *are needed to make any market* go, such as standardisation of terms and clearing. At the same time the arrival of brokers putting prices on screens is seen as aiding liquidity.

Equally fundamental are the attempts of at least some banks to bring more institutional investors, *such as pension* funds, into the market. Manufacturers Hanover estimates that pension funds and insurance companies hold about 15 per cent of capital market paper, with wealthy private individuals, another target, holding 10 per cent.

Hong Kong corporate investors also hold 10 per cent, according to these estimates, and the plan is to boost all these figures and reduce the estimated 45 per cent of paper estimated still to be held by underwriting banks.

As in other markets, there is a feeling that investors, particularly corporates, would be encouraged to enter the market if there were a rating system which removed the need for individual credit assessment. But there are doubts about whether the local market would be large enough for a rating agency to consider it profitable.

Another method of increasing end-placement is the establishment of unit trusts designed to invest exclusively in capital market paper. Although proposals for such trusts have run into opposition from banks which fear their deposit rate cartel will be undermined, they seem set to take off. The extent to which they will appeal to small investors depends partly on the minimum denomination or investment allowed.

Banks are also using more sophisticated methods to create an orderly secondary market, such as complex asset-packaging techniques. Merchant banks buy up paper of a certain maturity on which the yield has got out of line with the market perhaps because it was originally mispriced or not properly defended in the market by its lead managers.

The package is then sold to a Japanese bank, which funds the holding with a new, cheaper issue. This process takes paper off the "street," puts it in firm hands, and clears the way for new securities to be issued.

In the longer run, however, the survival of this new market will depend equally on the willingness of China to use it as an important source of funds. China is a cautious borrower and is currently venturing into many markets around the world.

Mr K. W. Wu, a senior Bank of China official in Hong Kong, welcomes the development of the local markets and says they should perform a fund-raising role for China, provided an adequate secondary market can be developed.

Alexander Nicoll

The foreign dealing room at the Hong Kong and Shanghai Bank

Film Industry

Hollywood with a Far Eastern flavour

IF, AS Kipling said, "Allah-created the English mad—the maddest of all mankind," then Confucius must have had similar intentions for the population of Hong Kong—at least at far as films are concerned.

If you are looking for a city which could be described as movie-mad, look no further than Hong Kong, the Hollywood of the Far East. This is where William Holden discovered the World of Suzie Wong, Jennifer Jones found that love is "a many-splendored thing." Clark Gable played a soldier of fortune roaming the China Seas, Roger Moore came looking for the Man with the Golden Gun and Peter Sellers tried to escape from the Revenge of the Pink Panther, and Orson Welles felt so at home he stayed on the Ferry to Hong Kong.

Last year some 58m cinema tickets were sold, which means that on average, with a population of about 5.5m, everyone went to the cinema about once a month. More realistically, surveys by the Television and Entertainment Licensing Authority show that cinema audiences consist mainly of young people between 17 and 29 (roughly 25 per cent of the population), so that regular cinema-goers went about once a week.

Even in a moderate week, box-office receipts will easily outstrip any other big city. Furthermore, the film at the top of the box-office chart is most likely to be a Hong Kong-made film. Although the number of foreign films released is twice that of local films, in recent years it has been the local productions that take up the lion's share.

The record for Hong Kong's highest-grossing film is also held by a local production — Samo Hung's contemporary Kung-Fu comedy My Lucky Stars, which last year grossed HK$30,748,643. Its nearest foreign rival was Rambo: First Blood Part Two, with HK$24,649,206.

Unlike most other places, it is the exhibitors, the theatre-owners, who control the game. The number of theatres has increased slightly in the past few years to the present 105. Until recently, these theatres fell into three main circuits controlled independently by the Shaw Brothers, Golden Harvest and Cinema City, with the remainder in small groups primarily for releasing foreign films and associated with the big distributors (Fox, Columbia, MGM, Warner Brothers and so on) and independents.

Although film-making began in Hong Kong as early as 1913, full-scale feature film-making did not develop until the 1930s, when there were some 50 or so small companies cranking out Cantonese-language features for local and oversea markets and a handful of companies producing Mandarin-language films destined for mainland China.

War and political upheavals in China have invariably driven film-makers out of their northern habitat, especially the film-making city of Shanghai, and they brought with them their northern culture and Mandarin speech.

Since film-makers flooded the market with low quality films to grab quick profits, it is still difficult to understand why the Cantonese film industry ground to a total halt in the early 1970s. Watching a Mandarin-language film must be, for a Cantonese-speaking audience, like an English audience watching a film in Anglo-Saxon. Gradually, however, Cantonese cinema has revived and today all films are made in Cantonese, that is, apart from a few exceptions, all films are shot silent and post-dubbed in the studio—in Cantonese for Hong Kong audiences and in Mandarin for relevant markets like Taiwan.

The Hong Kong film industry is dominated by three giants. Shaw Brothers is probably the best-known production house. The family's involvement in film-making dates back to the mid-1920s, when young Shaw Yifu (later to become Sir Run Run Shaw) was handling the cinematography business for the family company, Tan Yee, with his two brothers Runde and Funme.

For many years the Shaw studios (2m sq ft situated on the scenic hillsides of Sai Kung Peninsula) have made 30 to 40 films a year, all of which were released locally as well as through Shaw's 160-theatre network in South East Asia, the US and Canada.

Despite the "factory" image, Shaw Brothers has, in fact, been an innovator in the film industry and the initial training ground for many of the local industry's technicians, administrators and artists.

Worthy additions to the studio's film vaults in recent years include Clifford Choy's Hong Kong Hong Kong, one of the first films to confront the problem of the immigrant influx from China, Mabel Cheung's The Illegal Immigrant, a street-level look at the problem of young gangs in New York's Chinatown, and Ann Hui's Love in a Fallen City, a screen adaptation of Eileen Chiang's novel of romance.

It came as something of a surprise recently when Sir Run Run cut production to a mere trickle of six films a year and leased his theatre circuit for an undisclosed figure to D and B Films, a dynamic and aggressive new production company founded by watch and jewellery magnate Dickson Poon. The company is aiming at a quota of 20 films a year and a circuit of more than 20 theatres.

At the same time, Shaw turned most of his studio facilities over to the local television station HK-TVB, in which he is a major shareholder.

Almost overnight, the Shaw film empire ceased to exist.

Sir Run Run Shaw, film mogul: a change in direction

Whatever the reason, there is little doubt that Shaw made these decisions with his usual business acumen. When interviewed about the reason for these changes, he replied, with typical Shaw humour: "If I continue to make films I will make HK$50m profit a year. If I stop making films I'll make HK$120m. What do you think I should do?"

Despite the change in direction at Shaw Studios, Sir Run Run Shaw, who will be 79 this year, is still the "Godfather" of the local film industry, or "uncle" as colleagues colloquially refer to him with a mixture of affection and respect. No big decisions which might affect the industry are made without first consulting him.

It is not for nothing that Shaw Brothers' shares were one of the highest performers on the Hong Kong Stock Exchange last year. If Shaw Brothers is the King of the Hong Kong film industry, then Gold Harvest must surely be its queen. This is confirmed by the names of two of their leading theatres—King's and Queen's—which eye each other precariously from opposite sides of Queen's Road in the centre of Hong Kong.

Formed in 1970 by Raymond Chow, who once had been Sir Run Run's right-hand man, with a nominal capital of HK$2m, Golden Harvest rose rapidly to prominence during the Kung-Fu era, due largely to the huge success of one of its big stars, the legendary Bruce Li. Like Shaw Brothers, Golden Harvest has been a "home" to some of Hong Kong's leading stars and directors.

Some of them have been successful enough to form their own production companies under the Golden Harvest umbrella, notably Samo Hung's Bo Ho Films, Jackie Chan's Golden Way and Michael Hui Productions.

The other major force in local production is Cinema City, formed in 1980 by the film-making trio of Karl Maka, Dean Shek and Raymond Wong. Their combined talent has been relegated to churning out the zany proletarian comedies which have established them as the trendsetters of the 1980s. Ever conscious of the need to keep ahead of the pack, Cinema City will shoot its latest project, the Legend of Wisely, on location in Egypt.

His previous film, Banana Cop (a comedy shot on location in London), is one of the few films to have been selected as an in-flight movie by Hong Kong's own airline, Cathay Pacific, and was a hit at last year's Toronto Film Festival.

While cinema patronage remains high by international standards, there was a drop of 5 per cent in the number of tickets sold last year even though prices are still reasonably low at around HK$20 a seat.

Sources in the film industry suggest that this trend may be due to the finite amount of spending money circulating among young people now being channelled into other areas of "entertainment." Particularly noticeable in this respect is the vogue for music pop concerts and the further easing of restrictions on tourist visits to China.

While few young people may have enough cash for the air fares and hotel bills involved in foreign travel most can readily afford a weekend trip over the border.

Although Hong Kong is said to have the world's highest television watching figures, with 93 per cent of the people having sets, television is not considered a threat to cinema-going.

Although living conditions are noticeably improving, most people still live in cramped flats and are therefore eager to go out for leisure activities like cinema-going and restaurant meals.

As a further incentive cinemas are air-conditioned, whereas most homes are not—an important factor in a sub-tropical climate where there is little temperature difference between hot summer days and nights.

In spite of the popularity of cinema-going, the relatively small population imposes a natural saturation limit on the revenue that can be generated. Most companies therefore plan to cover production costs from revenue generated in Hong Kong and look for profits from overseas sale, mainly Taiwan, Singapore, Thailand, Japan and the Chinatowns of North American and European cities.

Artistic success has so far been limited to a small and highly select group of directors—Allen Fong (Father and Son and Ah Ying), Ann Hui (The Story of Woo Viet and Boat People), Yim Ho (Homecoming) and Tsui Hark (The Butterfly Murders). All of them received their initial training in film-making abroad.

At home these directors are not noted for guaranteeing success at the box office and hence encounter difficulty in raising finance for their films. This is not a great encouragement for others to follow in their footsteps.

Locally, the Hong Kong film industry is known as a *Pin-muen*(literally "side-door") industry—a phrase used for any business which is a gamble. Now the gamble is on film-making in English, supposedly as an attempt to break into the international market but also as a useful way to gain experience for a move abroad should the need ever arise.

Recent efforts in this area include No Retreat, No Surrender, shot on location in Thailand by Seasonal Films, and Tongs, a Chinatown story shot on location in New York by Pan Pacific. Neither of them is likely to be nominated for an Oscar, but it is a start. If they work, the Hong Kong film industry could well find itself changing direction yet again in the near future.

Terry Boyce

Property

Cautious optimism prevails

VICTORIA BARRACKS Site Two, the last big site in Hong Kong's Central business district, was sold in May for HK$1.005bn, the highest price ever paid at auction for a development in the British territory. Share prices nevertheless tumbled the following day.

The problem, it seems, was not that the auction price had failed to match market expectations, but that investors had been hoping for a signal that would give strong, fresh impetus to the stock and property markets. The neutral signal meant disappointment, and they opted to take profits.

The auction seems to have been a precise barometer of the state of Hong Kong's property market, which has recovered from the trauma of collapse starting in 1982. For the market overall, cautious optimism can be taken, at least on a short-term view. But different sectors of the market—offices, domestic flats, and factories—are, in fact, moving in response to different forces.

According to the 1986 Property Review, produced by the Government's Rating and Valuation Department, the office sector showed strong growth throughout 1985. Vacancy rates dropped to 11.1 per cent, the lowest since 1982.

Developers say that office rentals in Central, the core business district of Hong Kong, grew by 20 per cent last year. Average asking rentals have recently reached HK$20 per sq ft a month. Exchange Square, Hong Kong Land's flagship development, now demands HK$27 per sq ft. This approaches the peak price of HK$30 in 1981. The building is now 80 per cent let, according to Mr Andrew Denman, managing director of Hong Kong Land Properties. Tsimshatsui, the favourite office location for exporters taking advantage of proximity to buyers' hotels, factories, the airport and the container port, had a dramatic office rental growth of 70 per cent last year—the highest in Hong Kong. Now the asking rental for prime office space in Harbour City, for example, is around HK$16 per sq ft. Harbour City is now 98 per cent let.

Rentals in Wanchai and Causeway Bay, both rather out of the way for businesses needing close links with Central, increased by 30 per cent over the year. Landlords now ask for around HK$14 per sq ft.

The main reason for the rental upsurge is that no new office buildings were constructed during the property slump. The only supply completed last year was Exchange Square and the Hongkong and Shanghai Bank's headquarters, which were both committed in 1981 at the peak of the boom.

At the same time, demand has risen strongly as foreign businesses have set up new firms in Hong Kong over the year. Other companies already based in Hong Kong, but kept out of prime areas by the high prices pre-dating 1982, took advantage of lower rentals to move into Central, or to consolidate under one roof offices that have, until now, been scattered over the town.

The outlook for office rental is expected to be buoyant for two years, because supply will decrease to 775,000 sq ft this year and 1.97m sq ft in 1987. This compares with 3.315m sq ft coming on stream last year.

Analysts predict that rentals will soften in 1988 and 1989, when large amounts of office space from the Bank of China building, Standard Chartered Bank's new headquarters, phase two of Admiralty, phase three of Exchange Square and the first phase of Victoria Barracks come on stream. Most of these are in fringe Central.

The residential market is an important sector of the property market in a crowded city with a population of 5.5m. About 45,000 newly-married couples entered the market last year in search of homes. Adding to an already strong trend towards nuclear families, this ensured that the demand for domestic flats continued to outstrip supply.

As a result, this sector of the market performed well. Almost 30,000 new flats went on to the market, either for sale or rent, and 29,500 of them were taken up. The vacancy rate dropped to 3.7 per cent. All three are new records since 1982. The year-on-year increases in prices and rentals were 13 per cent and 6 per cent respectively, according to the 1986 Property Review.

However, because supply remained abundant throughout the year, both prices and rentals started to level off from the third quarter onwards. With a record supply of 37,100 and 33,100 units expected to go on to the market in 1986 and 1987, analysts are talking of a buyers' market.

"It would be surprising if prices rise by more than 5 per cent," said Mr Alan Hill, of agents Jones Lang Wootton.

The demand for luxury apartments at the top end of the residential market has strengthened. Vacancies for flats larger than 1,500 sq ft dropped from 6.2 per cent in 1984 to 4.9 per cent in 1985. Rents rose by 27 per cent. Now, to rent a flat at mid-levels would cost up to HK$30,000 a month.

However, the demand for industrial property—often thought to be a leading indicator of the state of Hong Hong's critically important manufacturing sector—remains the most stagnant sector of the market. Take-up last year was 4,187,000 sq ft—the lowest since 1982, and down 55 per cent from 1984.

Prices remained constant throughout last year, after a slight increase in the first quarter. Rents also increased marginally. The most glutted areas are those in the New Territories, like Tuen Mun, which are still seen by most workers as inaccessible. An aggregate supply of 16,706,000 sq ft coming on stream in 1986 and 1987 will more than triple that in 1985, so the outlook for prices in this sector is not buoyant unless take-up improves strongly.

Analysts say the main reason for the dullness of the industrial sector is poor export performance last year. Total domestic export plunged by 5 per cent in 1985, compared with an average 9.6 per cent real growth rate in the past five years.

The demand for industrial property *is closely linked with* the length of industrialists' order books. But there have also been suggestions that the future political uncertainty of Hong Kong is a factor that comes into play. Some industrialists are opting to cram their production into existing floor space.

A cautious view should be taken of the performance of the property market if it is taken as a barometer of political confidence in the territory, as it has in the past. It is true that rental values are generally improving, but interest in property for sale—which clearly represents a bigger commitment from occupiers—remains sluggish in nearly all sectors of the market.

Interest in buying offices is not strong. Few transactions have been recorded over the past year. Most business firms appear to prefer to be tenants rather than owners.

Moreover, the majority of new tenants taking up new offices tend to be foreign firms, or the local arms of foreign firms, rather than local businesses. Most are American or Japanese financial companies, with an eye on the China market. There is little evidence that there are many local firms, which are more vulnerable to the political uncertainty of 1997, taking up space for expansion.

Demand to buy luxury apartments that house the expatriates is also subdued. Transactions have been limited, and prices have begun to level off in 1986, after a 39 per cent increase last year. The Regent-on-the-Park, a two-tower apartment block close to Central on Hong Kong Island, which has been standing vacant for a year, was sold in April at a price of HK$1,100 per sq ft. According to Mr Alan Hill, at Jones Lang Wootton, the break-even cost should be HK$2,500 per sq ft.

"The most active demand for residential units is among smaller flats that cost less than HK$500,000," said Mr Chris Palmer, managing director of Richard Ellis.

Take-up for flats smaller than 400 sq ft increased from around 12,300 units in 1984 to 22,600 units in 1985. These can be afforded by most families, as mortgage costs have fallen.

Prime Lending Rate in Hong Kong has fallen from 9 per cent a year ago to 7.5 per cent today. But, with the exception of large projects like Taikoo Shing, built by Swire Properties, and Whampoa Garden, built by Hutchison Whampoa—which offer convenient *location and good facilities*—the rest of the market is not so buoyant.

Vacancies among flats of between 700 and 1,000 sq ft—which are at the upper end of the local Chinese's residential market, appealing to middle-class families—increased from 3.3 per cent in 1984 to 4.4 per cent in 1985. Take-up last year was around 1,000 units, compared with 2,500 units in 1984.

The property collapse in 1982 was an unpleasant experience that everyone would like to forget. Now that the market has pulled itself out of the trough, few seem keen to chase prices too high too fast for fear of recreating the bubble that exploded so disastrously in 1982. Prices seem unlikely to fall, but it is still uncertain how quickly they will rise. Much will depend on the political confidence of people in the territory.

Sophia Yan

Indian Community

Why the merchant class feel aggrieved

IT WAS perhaps inevitable that Britain's agreement with China on the future of Hong Kong would not please everybody. But the territory's Indian community is more than merely disappointed with the UK. It *feels utterly let down.*

The issue is citizenship. Of Hong Kong's estimated 11,500-strong ethnic minorities who have "British Dependent Territory Citizenship," 6,600 are ethnic Indians and the rest are *of Portuguese or Eurasian origin.* The ethnic Indians see themselves as British and want the right to live in Britain after 1997.

Last month their well-organised, vocal and effective *campaign for this right,* which received support from Hong Kong's Legislative Council and from Peking, was finally defeated in the UK Parliament. The Indians are now facing a more acute problem than the Hong *Kong Chinese, and must decide* whether to stay or leave.

Their decision is important to Hong Kong because the 20,000-strong Indian community, which also includes citizens of India and Pakistan, is widely believed *to control about 10 per cent of* the country's exports by value. In a place with a 5.4m population, 98 per cent of it Chinese, that is out of all proportion to the Indian community's size.

Widely regarded as hard-*working, diligent and prosperous,* the Indians are not recent arrivals. When the British took over Hong Kong in 1841 they did so with 2,700 Indian troops. Indian merchants, some of whom had already followed the *opium trade to China, quickly* came to capitalise on the settlement of Hong Kong.

Thus two of the earliest trading companies were Indian, the first bank to be established was a branch of the Oriental Bank of *Calcutta, and it was two Indians* who founded a stock exchange. When the Hongkong and Shanghai Bank was established three of its 13 founders were Indians; and it was an Indian who started the Star Ferry service between *Hong Kong* Island and *Kowloon.*

Initially most of the Indian traders were Parsees. Then came Gujeratis and Marwaris. In this century, however, the Indian merchant class has come to be dominated by Sindhis, from the southern province of what is now Pakistan. Using family, clan and kinship connections, they dominate trade between China and the Middle *East and Africa which goes* through Hong Kong.

Beyond all this, Britain recruited Indians for its administrative needs in Hong Kong—in defence, in the police force, in the postal services and in *education. Many of its own British* officials were also drawn from the British civil service in India, Burma and the Straits Settlements.

With the relentless approach of 1997, however, has come a reckoning—or rather three years of agonising for London and for Hong Kong's Indians. Under the Sino-British agreement returning Hong Kong's sovereignty to China the status of British Dependent Territory *Citizens for people from Hong* Kong will end. But whereas the ethnic Chinese will become Chinese nationals, the ethnic minorities are to become "British Nationals (Overseas)."

Unlike the inhabitants of a *country becoming independent,* these ethnic minorities have been given no chance of becoming citizens of the new country. They will have what are called BNO passports but no automatic right to live in Hong Kong, and *none elsewhere unless they* leave in order to seek it.

As a form of compromise to deal with this apparent *de facto* statelessness, Britain and China reached an understanding in April whereby China says it *will, when necessary,* state to third countries that holders of BNO passports will be able to return to the Special Autonomous Region of Hong Kong.

Under this arrangement the BNO passport will contain a UK *endorsement, agreed with Peking,* to the effect that the holder has a Hong Kong identity card number which in turn states that the holder has the right of abode in Hong Kong.

At the same time Britain has *also stated that if any British* national were to come under pressure to leave Hong Kong "we would expect the government of the day to consider sympathetically the case for admission to the UK."

This declaration, made by Mr Douglas Hurd, the UK Home *Secretary, falls short of what the* Indian community wants and what Hong Kong's Legislative *Council recommended on the* subject before it came to the House of Commons as a draft Order-in-Council at the end of last year.

Britain acceded to two other Legco recommendations: visa-free entry for Hong Kong people visiting Britain on business or at leisure, and citizenship for Hong Kong survivors of Britain's armed forces who fought in the 1939-45 war.

But Britain rejected citizenship for members of the Indian community, apparently because of the precedent it would set at home on an obviously sensitive issue. At one point Britain thought such a move would also show a lack of confidence on its part in the Sino-British agreement. But Peking and the Hong Kong Chinese community disbused it of this by indicating that the Indian community ought to be given UK citizenship.

Some long-time Hong Kong residents say cynically that Britain has no obligation to the Indian community. They argue that the Indians have done as well out of Hong Kong as the British have and could easily find citizenship elsewhere—in Britain or India—*if* they were only prepared to forego their profits in Hong Kong and leave.

The Indians say their connection with Hong Kong has always been on the basis that it is British rather than Chinese. They came because of the British and the supported British rule. If the purpose of the Sino-UK agreement is to preserve stability and property, they say, it looks likely in practice to drive them away and that would be harmful rather than helpful to Hong Kong's economic well-being.

Where the fight goes from here is unclear. The British Labour Party has indicated that if it is voted into office it would review sympathetically the Indians' claims, but the Indians felt that they cannot count on this. If nothing else, the Indian community therefore needs to establish the precise circumstances under which Mr Hurd's promise might be redeemed.

This would not be an easy task *and might not yield much. After* all, the present British administration in Hong Kong is already returning to China people fighting to escape across its borders into the territory. What would count as "persecution" *against Indians in the run-up to* 1997, and afterwards?

The other more likely possibility is that the Indians actually apply for Chinese citizenship. There is good reason to believe that Peking would accept them. *It is not* saying as much right now because that might hurt the Indians' chances of winning British citizenship, which they would plainly prefer.

It would also get London off an awkward hook, and that is something which can come much later.

Chris Sherwell

Left: a police search during a patrol at Wanchai on Hong Kong Island and a harbour police launch on duty in Hong Kong Harbour

The Police

Transition pains in the strong arm

OF ALL the plentiful problems associated with Hong Kong's reversion to Chinese sovereignty in 1997, *those involving* the 25,000-strong police force are causing some especially painful heart-searching.

The force is just one part of a larger civil service employing some 175,000 people. But it is the "strong arm" of a *colonial* administration, and the unease within it is clearly more acute.

This is worrying in as much as it impairs the force's main tasks of protecting life and property, preventing and detecting crime and preserving the peace. By world standards, Hong Kong is a safe place: it has no terrorism and few muggings, demonstrations or industrial disputes. But it does have to deal with "triads" (secret societies), gang *fights and serious problems of* narcotics and illegal immigration.

A high-speed patrol boat on duty in the harbour in fight against narcotics and illegal immigrants

Concerning the transition to 1997, most attention focuses on plans for "localisation", under which Chinese police officers will take over key senior posts currently held by expatriates. But some local Chinese who have held sensitive jobs also worry whether they can even stay in the force after the hand-over to Peking's sovereignty.

The bulk of the police — 23,000 junior officers —are reckoned to have few concerns. It is the remainder — 1,200 local inspectors, 650 expatriate inspectors and 450 senior officers — who will be directly affected, and who have become increasingly vocal.

The senior officers, for example — those with the rank of superintendent and above — are 70 per cent expatriate, a proportion which stands in sharp contrast to the force as a whole, which is 96 per Chinese. To insure that a properly-run and efficient police force is handed over with some continuity, this imbalance has to be redressed before 1997.

The whole delicate process is due to commence in 1988, once a plan now before the Hong Kong government is affirmed. The various police associations have seen the details and given their comments, and some have expressed reservations.

As things stand, there will be a Chinese Commissioner of Police in place by 1995, and at least one Chinese Deputy Commissioner of Police *(out of three),* in order to ensure an orderly succession. Localisation will occur down to superintendent level, but in what proportion by 1997 is not being revealed. It seems likely that a *50:50 split between expatriates* and locals will be sought, and that a place for expatriate expertise will remain for some time after 1997.

Thus while promotion is expected to continue on the basis of merit, a programme will also be followed to indentify local members of the force with outstanding potential. They will be given extra attention and training so that they are better able to get ahead. To hasten the process, artificial vacancies may be created, and certain expatriate contracts will not be renewed. There will also be some supercession in promotions.

All this, inevitably has an effect lower down. Local inspectors above the age of about 38 are dissatisfied, because they feel they stand little chance of benefiting from rapid promotions caused by the localisation policy higher up the ladder. Younger ones, on the other hand, have such an opportunity that the force can be expected to draw some high-calibre recruits in the immediate future.

For those who feel they cannot serve the new Hong Kong administration — policemen who helped suppress the last major riots in 1967 are typically cited — a ruling is being sought that they should not have to leave the force without compensation. This is not likely to be granted, although individuals who are genuinely vulnerable would probably have their claims met.

Some local inspectors have gone so far as to seek British citizenship under a provision of the 1981 UK Nationality legislation, which applies to Crown servants in dependent territories. The British Home Office has still made no decision since the applications were put in, in 1983.

The inspectors now regard the matter as a test of faith which Britain is close to failing. That they should be unhappy over this, and over serving a future administration, is hardly surprising. As they point out, the police are the only civil servants in Hong Kong obliged to swear an oath of allegiance to the Queen.

In contrast to the local inspectors, the 650 expatriate inspectors have a financial, as much as a career, decision weighing in their minds. Until last year, they had a choice of joining the force on "permanent and pensionable" terms or on a three-year contract which offered a gratuity at its conclusion worth 25 per cent of earnings.

Now, following the Sino-British agreement, all recruitment is on contract, and those who were already in the force at the time of the change have to choose whether to stay on contract of transfer to permanent and pensionable terms.

Currently about 500 of the 650 are on contract, and the deadline for choosing is September. Their choice does not affect their promotion prospects, but those who stay on contracts face the possibility that these will not be renewed on expiry.

Before deciding whether to change to pensionable terms, the inspectors also need to know details of compensation, should their jobs be localised.

Details of this are due from Whitehall shortly, at which point the inspectors' only concern will be whether the post-1997 Hong Kong administration meets its obligations. Britain refuses to offer any guarantee on this, precisely because it might encourage the new government not to shoulder its responsibilities.

According to the expatriate inspectors, some of their number have already left Hong Kong, forfeiting all their pension rights, because they feel it is better to look for another job now rather than later. The Government, meanwhile, is considering a plan to allow departing officers to freeze their pension rights until they are 60, but this is not settled.

Whatever happens, the crucial aim is to preserve morale within the force. Although the police associations tend to doubt it, Mr Raymon Anning, the Commissioner of Police, feels this is not currently a problem. He also has no doubts that the local talent exists to ensure an effective transition without hardship or unfairness. The next few years will tell.

Chris Sherwell

Executive guide to the territory

IF YOU are travelling from Europe, Cathay Pacific's weekly non-stop flights from Gatwick are the most painless way to cover the miles. From the US, many people fly to Vancouver, British Columbia, and take Cathay's non-stop flight across the Pacific.

Not only are the non-stop flights quicker but they are kinder to the body rhythms. You leave Gatwick on Saturday evening, have dinner, watch a film and go to sleep. There are no rude awakenings as you descend on Dubai or Bahrain or whenever at some ghastly hour of their night.

Hotels and the services offered

MOST senior executives still choose the Mandarin Hotel and there is no question that the service is excellent. It has a number of small rooms for meetings and entertaining and could not be nearer to the heart of the financial district.

But its pool is good for little more than dipping a toe—which is unfortunate at the end of a day working in temperatures close to 35C and with soaking humidity.

For people concerned about keeping fit while travelling (and who is not?) the Hilton has a lot *in its favour. Its health centre* has good gym equipment, its pool is of generous size, and if you are keen on jogging a hotel car will take you at 6.30 any morning to the western end of Bowen Road for one of the territory's most spectacular five-mile running trails.

The only hazards on this rare level track are octogenarians doing their early morning Tai-chi or callisthenics.

If you have no particular reason for staying in the heart central Hong Kong several hotels on Kowloonside equal—or better—the quality of the Mandarin. The Recent, with its marvellous view of Hong Kong Island, must soon be acknowledged as one of the world's best hotels.

Nearly as good are the Shangri-La in Tsim Sha Tsui and the stately Peninsula, gilt ceilings, green Rolls-Royces and all, though views of Hong Kong Harbour from the Peninsula are marred somewhat by a giant egg-shaped cement structure housing the Space Museum.

Anyone passing through Hong Kong overnight, either en route for China or elsewhere in the Far East, who is getting up for a crack-of-dawn flight, should think seriously about staying at the Regal Airport Meridian. It is nearly in the Mandarin class and has views of Victoria Harbour.

The airport Meridian also has a China Business Centre, which can be useful for anyone planning a working trip to the mainland.

Most good hotels provide a car service to the airport. Not only does this provide a convenient and comfortable link between the end of a long flight and the hotel but it eliminates the need to change currency at the appalling rates offered at the airport.

From September to early December Hong Kong hotels are booked solid. Anyone rash enough to think he "can always find a room somewhere" will probably find himself camped in a hotel lobby or worse. Bookings have therefore to be made well in advance whenever possible.

If you are really in a jam think seriously about hopping over to Macao to stay at the Oriental or the *Pousada de Sao Tiago.* Macao is only 50 minutes away by jetfoil and the hotels there are excellent.

World-wide cuisine for eating out

FOR EATING out Hong Kong offers an embarrassment of riches. There is almost no type of cuisine that is not available to a high standard.

Picking a few for particular attention is invidious and to some extent arbitrary, but no one should fail to try Cantonese cooking. There are some excellent restaurants where you can dine in Western-style luxury, like the newly-opened Guangzhou Garden in Exchange Square or the Eagle's Nest at the top of the Hilton Hotel.

But the best are usually noisy and crowded, with formica tables and tile floors. Fook Lam *Moon in Wanchai* probably stands in a class on its own, but places like the Sunning Unicorn in Causeway Bay, Sun Tung Lok in Happy Valley, Luk Yu in central Hong Kong, and Fat Sui Lau in Tsim Sha Tsui all have loyal patrons.

For a Westerner, ordering a Cantonese meal poses problems and it is often a good idea to defer to an experienced local colleague. Fresh steamed fish should never be missed, though fresh fish in any form can be stunningly expensive. Roast pigeon, prawns and other shellfish and seafoods are usually excellent. With vegetables, ask the waiter which are freshest at the time. At lunchtime, all offer Dim Sum of mind-boggling variety.

For Shanghai-style food, Yat Pan Hong *in Kowloon is said to* be where the elite of the Shanghainese community send their chauffeurs to collect take-out to sustain them through all-night gambling sessions. Non-Chinese diners are rare, but the proprietors are more than usually helpful in choosing dishes.

In the autumn, Shanghai hairy crab should be tried, but don't order it if you are in a hurry because a hairy crab is a difficult animal to take apart quickly. Soyed spice beef, braised eels and yellow fish in soup also take some beating.

Sze Chuan Lau in Causeway Bay is one of the best places for the more spicy Sichuan food. Its Kumkwat orange beef, sizzling prawns, braised eggplant and perfumed chicken are all excellent.

Among the best French restaurants perhaps the most outstanding are La France in the Regal Meriden, Gaddis at the Peninsula, and La Plume, with its splendid harbour view at the Regent. They are all expensive but their cuisine is *impressive.*

As a diversion a junk-ride to the fishfood restaurants in Lei Yue Mun is well worthwhile. An evening cruise to Sho Kwa Wan on Lamma Island, or at the weekend to Po Toi, can also be memorable.

Keeping 'face' in doing business

MOST businessmen in Hong Kong—Chinese or not—tend wear suits at work throughout the year. It is a curious habit in the hot and humid summer months but it persists.

Despite the heat it is often quickest to walk between meetings in the central area. The knack is in getting about without emerging from the labyrinth of air-conditioned walkways. On longer trips keeping "face" may mean hiring a limousine, which all the hotels can provide at a price.

But taking the Star Ferry for meetings in Kowloon, or the mass transit railway to the east of Hong Kong Island, or the New Territories is quicker and more interesting.

There are plenty of taxis, but do not assume your driver will understand English. If you are going anywhere other than to a well-known hotel, or a prominent landmark, get someone to write down your destination in Chinese characters before you leave your hotel. *If a driver* has to take you through the cross harbour tunnel remember you must pay him the HK$10 tunnel toll both ways.

Even so, taxis are cheaper than in most other cities. If you are hopelessly lost it is worth remembering that local telephone calls are free and no shop proprietor would object if you asked to use his telephone.

Hong Kong is not like China, India or Indonesia, so arriving late for meetings *is* deplored. This causes one to "lose face," and while the idea of "face" exists in the West it is nothing like as refined as it is in Hong Kong.

With Chinese businessmen you "lose face." if you telephone to arrange meetings. It suggests *that you have no one to do* it for you and gives your counterpart no chance to say "no" without causing offence.

The Chinese are usually embarrassed when saying "no" directly. Phrases like "there may be a little difficulty" or "can we talk about this later?" *are often as clear and blunt a* "no" as one will get.

In Hong Kong companies it will normally be clear enough who is in charge, but in many of the mainland Chinese organisations based in Hong Kong it is rarely clear. Talks can start with you having no idea whether the person you are speaking to is the boss or not.

Frequently, if a group of three or four are facing you across the table the boss will sit to one side and say little. In negotiation it is the minions who do the detailed work. The boss would "lose face" if he conducted them himself and he will normally appear only when agreement is about to be reached.

So many Hong Kong people speak such fluent English that a Western businessman often forgets that his counterpart is in fact speaking his second or perhaps third language. Avoid linguistic confusion by talking more slowly, simply and clearly than usual and avoid jargon.

Never forget to offer drinks during a meeting. While the Chinese sometimes drink Western tea and coffee they will normally prefer *qing cha* (pronounced "Ching Cha"), which literally means "clear tea" and is the usual term for Chinese tea. When you are offered a drink it is safest to ask for *qing cha* unless coffee is specifically mentioned.

Relaxing with junkets on junks

WHEN you have the time to spare your first objective ought to be to get out on board a junk, for there can be no better way to relax at the weekend than to watch Hong Kong's spectacular panoramas drift by from the water.

Many company junks carry *windsurfing and waterskiing* equipment for the energetic. Junk trips are also an excellent way to entertain or be entertained. If neither your company nor your clients in Hong Kong have a junk a few hints during meetings may lead to an invitation. Most banks and stockbrokers, as well as local businessmen have junks.

It is possible to hire a junk and a good bet is the Hilton Hotel's clipper Wanfu. This would cost between HK$2,800 and HK$3,500 for a four-hour cruise. Receptions can be held on board for up to 60 people.

Another "must" is a day at the races, even for non-punters. The Happy Valley and Shatin race courses are among the most attractive in the world. The best place to watch the races is from the stewards'-enclosure, but you will need high-level connections and a lot *of string-pulling to arrange that.*

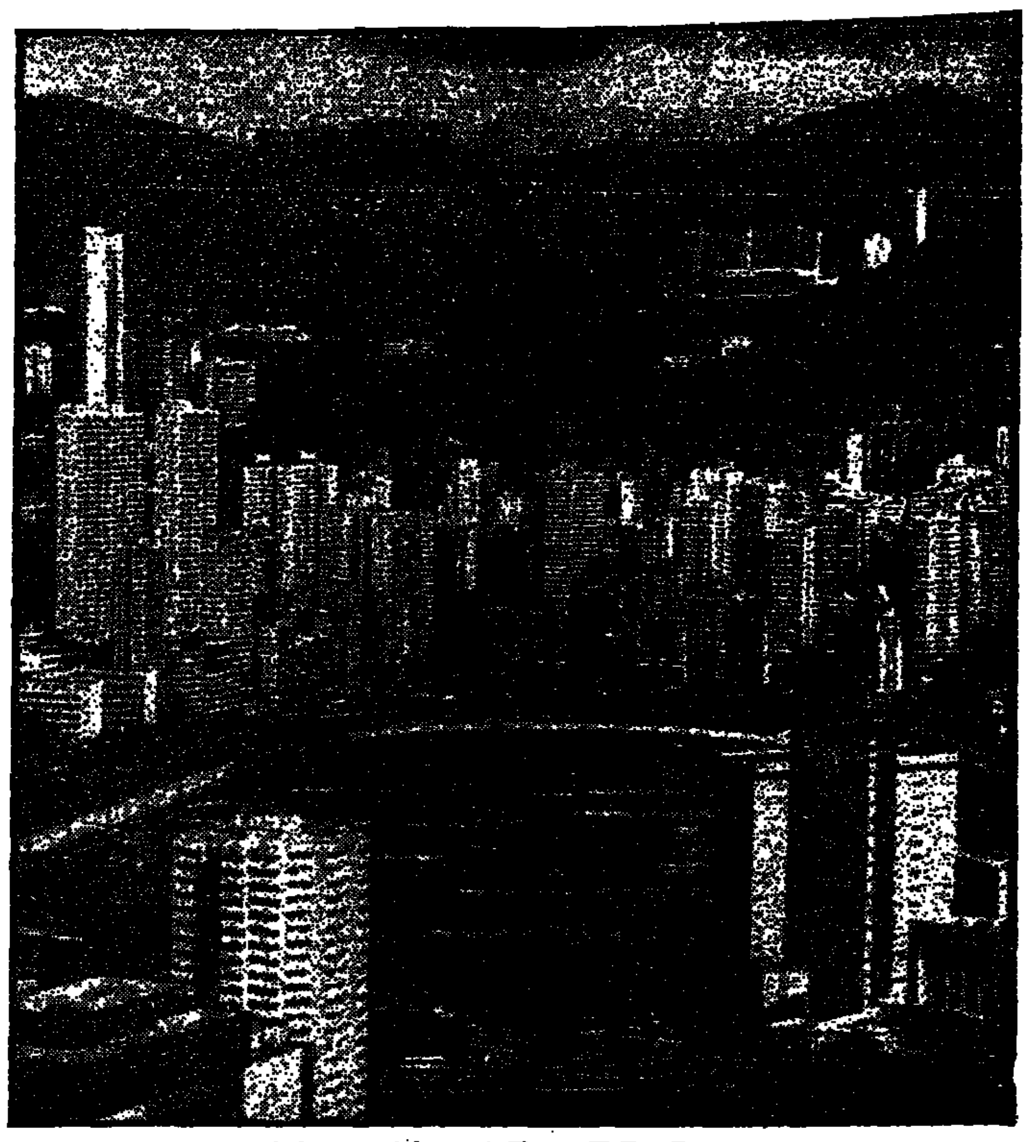
The Hong Kong Tourist Association arranges exclusive but expensive packages for visitors to watch the racing from the members' enclosure. Numbers are strictly limited, so advance booking is essential. One drawback is that you have to be a visitor to qualify, so local friends cannot go along with you unless they are members in their own right.

Among the more unusual excursions, Heliservices will take you on a half-hour helicopter flight over Hong Kong Island and the New Territories. The charge is HK$2,000 and four people can go. At weekends the company offers shorter spins around Hong Kong Island, taking off from Ocean Park on the south of the island.

Many of the elite enjoy a game *of golf,* but visitors may find that arrangements to plan a round at the Deep Water Bay or Fanling courses are difficult and expensive. A novel solution to the problem—and an excellent opportunity to combine business entertaining with a visit to China—is to spend a weekend at the Zhongshan golf coure.

Zhongshan is China's first golf course and recently hosted its first professional-amateur tournament. *It was designed* by Arnold Palmer, with turf brought from Bermuda. Green fees are a mere HK$100 and there are rarely more than 60 people to be seen on the course, which is laid out with wooded mountains on one side and rice paddy fields on the other.

Five-bedroom lodges, designed in the style of Chinese courtyard houses, adjoin the course and can be rented for US$200 a night. Otherwise, rooms at the comfortable Zhongshan Hot Springs Hotel cost up to US$40 a night.



Part of the entertainment: Happy Valley Racecourse

Travelling on to China

MANY travellers use Hong Kong as their entrance to China. If you do not already have a visa, tourist visas can be arranged within hours by good travel agents in Hong Kong and are perfectly acceptable to the Chinese immigration officials.

Getting a seat on an aircraft to Peking can be difficult, however, especially, if you are reluctant to fly with CAAC, China's national airline. CAAC is notorious not just because the service is awful but because its aircraft are old and its record leaving or arriving on time is appalling.

If you want to avoid CAAC it is worth knowing that Cathay Pacific flies direct services to Shanghai and Peking, while the fledgeling Dragonair flies to Canton, Xiamen, and Hangzhou (with other routes planned).

When flights are full a train or ferry trip to Canton is a simple matter. So is a taxi-ride to Canton from Shenzhen on Hong Kong's border at Lowu, where onward air connections are more easily arranged. Leaving Hong Kong by land also has the advantage of being easier on the wallet. The airport exit tax is now HK$120.

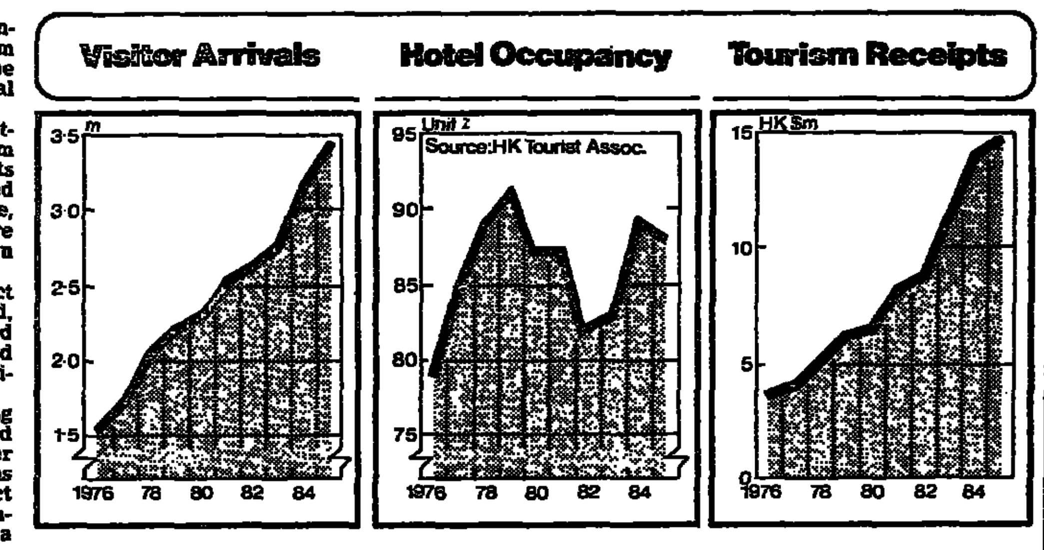
David Dodwell

Tourism

Slight fall in occupancy rate

WHILE MOST Hong Kong concerns connected with tourism and hotels believe that the future is rosy, there are several areas of worry

- *The increase in Middle Eastern and European terrorism* does seem to be keeping tourists away from Asia. A depreciated Australian dollar, for instance, seems to be keeping more potential travellers Down Under.
- As China increases direct flights and cruises from abroad, more people might be inclined to bypass Hong Kong or to spend less time and money in the territory.
- Hong Kong's hotel building already in progress or planned is expected to produce a 40 per *cent increase* in hotel rooms over four years, a prospect which has stopped some planned projects because of fear of a glut.



"Hong Kong's tourist industry, like others, is always having to cope with swings and roundabouts," says Mr John Pain, executive director of the Tourist Association, "but it is true that, for the moment, we are being hit by several things all at once. We are not looking for a tremendous summer and will have to work very hard to keep where we are."

Where Hong Kong is at, however, is far from being all that bad. Figures for 1985 show significant increases in both arrivals and receipts. Visitors *totalled nearly 3.5m, up 9.3 per* cent on 1984, and receipts, which still comprise Hong Kong's third largest foreign exchange earner, were HK$14.8bn, up 5.5 per cent.

Moreover, latest figures for this year show continued growth over 1985. Arrivals for the first four months were *nearly* 298,000, up 2.3 per cent on the period last year, and receipts for the first quarter were about HK$3.7bn, up 11.8 per cent on the quarter in 1985.

However, the length of stay per visit is declining, from 3.62 nights in 1984 to 3.55 last year, *and it is this that is most worrying.*

It is for this reason that the tourist authorities are placing their greatest efforts on promoting Hong Kong as a diverse, year-round attraction. "Hong Kong: Celebration for all seasons" is the title of the Tourist *Association's current world* campaign.

While not abandoning Hong Kong's staple of quality and low price in its shops and restaurants, the main *thrust is* on sightseeing and the colony's calendar of special events.

Emphasis is placed on tours of Hong Kong Island's famous bays and harbours, to the territory's myriad other islands, day-trips to China itself, and on visits to Hong Kong's famous horse racing, the Paletarium and to Ocean Park, which has one of the world's largest oceanaria and lowland and highland sections connected by cable car and the world's longest covered escalator.

Special events being promoted include Chinese festivals, golf and rugby tournaments, and theatre, music and film festivals. Increasing promotion will begin soon on Hong Kong as *convention host,* with the approach of the 1988 opening of the Hong Kong Convention and Exhibition Centre, a complex of conference and exhibition halls, auditoria, meeting rooms and two hotels being billed as "one of the most comprehensive and best-equipped *developments of its kind* in the world."

Mr Pain, government officials and hoteliers all agree that the territory's attractions should be increased by the expansion of airline competition to the Pacific region and the current hotel building programme's emphasis *on* medium-priced rooms as opposed to the territory's traditional five-star fare.

They also point out that until recently Hong Kong suffered from a shortage of rooms, especially in providing a wide choice, with most hotels having well over 90 per cent average occupancy rates.

Cathay Pacific, Hong Kong's own airline, has just added additional London flights and opened new services for Paris, *Rome, West Germany and* Vancouver. From next month, the airline will extend its services to San Francisco. Cathay's new Peking and established Shanghai routes are said to be operating at more than 80 per cent capacity.

The tourist industry believes that Cathay's expansion, coupled with increased Hong Kong-London flights by British Caledonian next month, United's taking over Pan-Am's Pacific routes, and Northwest Orient's continued aggressive sales policy, should ensure fares remain competitive.

The falling occupancy rate, down to 88 per cent last year from 89 per cent in 1984 and to 80 per cent in this year's first *quarter from 86 per cent a year* ago, and the expansion of a current 18,000 hotel rooms by 2,500 this year and a further 4,500 to 5,500 before the end of the decade seems to worry seriously neither business organisations nor the hoteliers themselves.

Mr Pain says: "Hong Kong's *hotel builders have got it right* for more than 20 years. Shortages of rooms have rarely lasted more than six months, with any significant oversupply roughly similar."

The expected "marginal oversupply," he believes, could produce occupancy rates of *between 70 and 80 per cent over* the next 12 to 18 months, "still good by world standards."

Mr Manuel Wood, executive director of the 50-member Hong Kong Hotels Association, admits that this year is "certainly softer" than last but, like Mr Pain, discounts the frequent comparisons made between Hong Kong and Singapore, where many occupancy rates are thought to be between only 20 and 50 per cent and where 70 *per cent is thought to be* exceptional.

Both men point out that, whereas Singapore Government policy, armed with investment incentives, meant a heavy hotel building programme in a very short period, Hong Kong's expansion is being spread over *a relatively lengthy time.*

The 17 new hotels due to open over the next three years are, then, a significant vote of confidence in Hong Kong. Moreover, several existing hotels, such as the Hilton, Peninsula and Lee Gardens, have just completed extensive refurbishment, or, like the Mandarin, are planning to.

Mr Eric Waterhouse, managing director of the Mandarin *Oriental group, which will* spend HK$100m on completely remodelling all of the Mandarin's 540 rooms over two years, says that the drop in occupancy rates is, in part, caused by more companies buying or renting flats for visiting employees or guests and to *more people staying with* friends rather than in hotels because of the earlier shortage of hotel rooms and high prices.

Unlike Singapore, he says, where there appeared to be a five or seven year oversupply without the possibility of a visitor growth rate overcoming it in *the short-term,* Hong Kong would not be truly oversupplied and, moreover, was in the process of broadening its price range down market to compete more effectively with places like Singapore, Kuala Lumpur and Manila.

"Occupancy will probably come down," he says, "the mid-70s to 80 per cent occupancy rate now looks probable. This is good by world standards, even Asian standards, and, even if it *is in the mid-70s, the hotels will* still be highly profitable."

Larry Klinger

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 27 1986

Morgan Grenfell and Thames TV issues heavily oversubscribed

BY ALICE RAWSTHORN IN LONDON

BRITAIN'S new issues market received a long-awaited stimulus yesterday when the offer for sale of Thames Television, the commercial TV station serving London and the south-east of England, attracted £872.8m and was almost 26 times oversubscribed. The tender for sale of Morgan Grenfell, the banking and securities group, was also heavily oversubscribed.

Thames received 102,628 applications for 459.39m shares at 190p each. In the flotation, which valued Thames at £91.2m ($136m) about 17m shares were released, representing 35.6 per cent of Thames's equity.

The issue attracted extraordinarily high interest from "stags" or multiple applicants. Thames's merchant bank, County, said it had weeded out "literally cratefuls" of multiple applications from the thousands of forms sent in.

In the weeks before the flotation, Thames mounted an ambitious advertising campaign to encourage its viewers to apply for shares in the company. County said some 27,000 applications were received for the minimum allocation of 200 shares, although almost half the £872.8m came from applications for more than 100,000 shares.

"We received a complete mixture of applications from investment institutions such as the insurance houses and pension funds to what I would call the viewing public," said Mr Robert Dutton, a director of County.

The offer of shares to Thames's employees was also oversubscribed. Members of staff were given preferential rights to 1.7m shares but the offer attracted 1,133 applications for 5.142m shares. County has devised a process of allocation which should ensure that almost half the public applicants, and all the employees, receive at least some of the shares applied for.

Thames will almost certainly trade at a premium when dealings begin on Thursday. Dealers in the "grey" or unofficial market quoted prices of 214p or 216p for Thames's shares yesterday.

David Lascelles adds: Morgan Grenfell's offer of 32m shares was closed after only one minute yesterday as investors poured in applications for the merchant bank's stock.

Morgan said the issue was heavily oversubscribed. It was still counting last night, and expects to announce the basis of allocation this morning.

Morgan is offering its shares by tender for a minimum 425p each, at which price it would raise about £136m. However, brokers expect successful bids to be in excess of 500p.

William Hall charts the growing market dominated by Coca-Cola and PepsiCo

US bid ruling leaves soft drinks battle fizzing

"THESE mergers were so outrageous and so harmful to consumers that even the Reagan Administration realised it had to oppose them," said one leading US politician last week. Many Americans would agree, but beyond that there is little consensus about what may happen next in the fast growing US soft drinks business.

Ever since PepsiCo announced its $380m bid for Seven-Up, and Coca-Cola replied with its $470m bid for Dr Pepper at the start of the year, the soft drinks business has been in turmoil.

It is most unlikely that the Federal Trade Commission's decision to oppose the deals is going to restore peace in the battle for control of the $40bn-a-year industry.

US soft drink sales have been growing at a healthy 9 per cent a year and over half of the sales are made by two mega-brand companies, Coca-Cola and PepsiCo. Coca-Cola, which has a stock market capitalisation of $15.5bn holds 39 per cent of the US soft drinks market, while PepsiCo, which is capitalised at $9.1bn, has a 29 per cent share.

Until now, the soft drinks business has not been the sort of place for the little guy. Despite engaging in the marketing equivalent of open warfare for years, Coca-Cola and PepsiCo have both been doing very well.

PepsiCo has been increasing its market share in the US, partly at the expense of Coca-Cola's flagship brand, but Coca-Cola has a much bigger overseas business than PepsiCo and has been able to offset sluggish sales of its traditional Coca-Cola brand with a wave of new products such as Sprite, diet Coca-Cola and cherry Coca-Cola.

The key to success in soft drinks is market share. Space on the supermarket shelves is limited and this means that the dominant brands get pride of place. The same goes for the huge fast food outlets, such as the McDonald's chain.

Meanwhile, Coca-Cola and PepsiCo have been consolidating their hold on the companies which bottle their products and this in turn makes it increasingly difficult for smaller soft drink companies to break into the marketplace in a big way.

Seven-Up is a prime example. It has been owned for some time by Philip Morris, the tobacco and consumer goods conglomerate which is no slouch when it comes to marketing skills. Philip Morris is bigger than Coca-Cola and has the sort of financial muscle which should have enabled Seven-Up to challenge the grip of Coca-Cola and PepsiCo.

Despite its well known brand name, Seven-Up has not been a successful member of the Philip Morris stable. It is experiencing increasing difficulty holding on to its 7 per cent market share in the face of competition from such products as Coca-Cola's Sprite. Philip Morris is going ahead with plans to find a new buyer for Seven-Up to replace Coca-Cola.

PepsiCo says it is still interested in buying Seven-Up's international operations, which would presumably not upset the US Government, and would enable it to strengthen its international business.

Meanwhile, Coca-Cola said it intended to fight the Federal Trade Commission decision to oppose its takeover of Dr Pepper, which has surprised some Wall Street analysts who thought that the main reason Coca-Cola launched its bid was to scuttle PepsiCo's efforts to win Seven-Up. Yesterday Dr Pepper indicated that it would join Coca-Cola in opposing the FTC decision.

Dr Pepper was taken private through a management buy-out in 1984 organised by Forstmann Little, a New York firm which specialises in leveraged deals.

Among possible overseas buyers, Cadbury Schweppes is often mentioned.

Mr Jesse Meyers, editor of the widely quoted Beverage Digest, says there is going to be a "whirlwind of interest," with many of companies in the US and abroad "lusting after the possibility of taking over Seven-Up or Dr Pepper."

Among possible candidates in North America are Anheuser-Busch, the biggest US beer producer, Procter & Gamble, the detergent and soap goods giant, and Seagram, the international beverage group.

THE US Federal Trade Commission's decision to go to court to block the proposed mergers of Coca-Cola and Dr Pepper and Pepsi Co and Seven-Up is seen in Washington as a step which draws a boundary for the anti-trust enforcement policies of the Reagan Administration, writes Stewart Fleming. But it is a boundary which is not very restrictive and Administration critics say is not clear-cut.

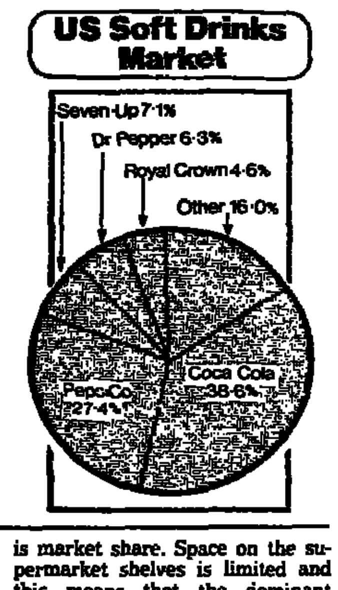
Congressional anti-trust specialists point out that, had the two mergers gone through, Coke and Pepsi would have increased their combined share of the US soft drinks market from 67 to 81 per cent.

It would have been hard, even for the Reagan Administration with its less stringent attitude to the subject, to have approved deals that would reduce the industry to just two competitors.

The FTC Court filing on Tuesday says the Coke-Dr Pepper deal would violate Section 7 of the Clayton Anti-Trust Act.

It would, the FTC says, eliminate direct competition between Coke and Dr Pepper; facilitate collusion among market participants; make entry to the market harder and raise the costs and reduce the competitiveness of other companies in the sector.

The FTC – and that nowadays means in practice the White House – has taken a stand on a seemingly open-and-shut case, but still has not revealed much about its anti-trust law enforcement policy on less clear-cut situations.



Singleton group buys Dallas Times Herald

BY PAUL TAYLOR IN NEW YORK

TIMES MIRROR, the Los Angeles-based newspaper group, yesterday agreed to sell the Dallas Times Herald to a company led by Mr William Dean Singleton, a Texan-born newspaper publisher, for $110m in cash and paper.

Mr Robert Erburu, chairman, president and chief executive of Times Mirror, said the group had decided to sell the title because "its sale at this time is consistent with our corporate strategy and is in the best long-term future of the Times Herald." Times Mirror, which recently agreed to buy the Baltimore Sun newspapers from A.S. Abell for $600m, also owns the Los Angeles Times, New York's Newsday newspaper, papers in Hartford, Connecticut and Denver, Colorado, together with extensive television interests. Last year the group produced net profits of $217.8m on sales of almost $3bn.

The Los Angeles-based group acquired the Times Herald and KDFW-TV station serving the Dallas Fort Worth area in the 1970. The radio station is being retained.

Mr Singleton, aged 34, has built up a publishing empire which includes 21 daily newspapers in six states. The acquisition of the Dallas Times Herald and planned purchase of two smaller dailies will lift his fast-expanding newspaper business into the top 10 US national daily newspaper groups.

The Dallas newspaper will be owned by a partnership company including Mr Singleton and two long-term business associates, Mr Richard Scudder, and Mr John Buzzetta, aged 35, publisher of the Star-Beacon Ohio newspaper.

The three men run two newspaper companies, Garden State Newspapers and Gloucester Times, with Mr Singleton as president and chief executive, Mr Scudder chairman, and Mr Buzzetta chief operating officer.

Telefonica revenue and earnings rise

BY DAVID WHITE IN MADRID

COMPANIA Telefonica Nacional de Espana, Spain's 47 per cent state-controlled telecommunications company, which last year gained stock market listings in London, Paris, Frankfurt and Tokyo, yesterday announced a 20 per cent increase in its 1985 net profit to Pta 39.15bn ($275m).

Total revenue for the year was 12.6 per cent up at Pta 429.2bn.

The company, which is currently considering a New York listing as the last stage of its move on to international stock exchanges, is proposing to repeat the same total dividend of 11 per cent, on capital which was increased by 12.5 per cent during the year to Pta 360.5bn. Share capital has since been further increased to Pta 400.5bn.

Mr Luis Solana, chairman, said Telefonica had succeeded in virtually stabilising its financial costs, which rose by 3 per cent to Pta 80.07bn after soaring in recent years by close to 20 per cent a year.

He said the company's foreign debt, which stood at Pta 213bn in 1983, would be down to Pta 100bn by the end of this year. The company last year made early repayments of Pta 29.4bn, reducing the burden of foreign debt as a proportion of total liabilities from 14 per cent to 11 per cent. At the same time, it replaced some of its foreign credits with new debt at lower interest rates and with longer maturities.

Investment, which rose at a relatively modest rate of 7 per cent to Pta 187.9bn, partly because of delays in delivery of new telephone exchanges, was two-thirds self-financed, reflecting a progressive increase in Telefonica's own financing capacity over the last four years.

Suchard buys control of bank

BY JOHN WICKS IN ZURICH

JACOBS-SUCHARD, the Swiss coffee and chocolate group, has acquired a controlling interest in Ibero-Amerika Bank.

The Zurich company had already held a minority stake in the German bank, which at the end of last year had balance-sheet assets of DM 453m ($203m) and annual earnings of DM 2m. The new transaction requires final approval from the German cartel authorities.

Ibero-Amerika is a specialist in financing Latin American trade

AMI suffers 59% fall in quarterly income

BY OUR NEW YORK STAFF

AMERICAN Medical International (AMI), which claims to have founded the investor-owned hospital industry in the US, yesterday reported a 59 per cent fall in third quarter net income to $21.5m, or 25 cents a share, despite a 30 per cent rise in gross revenue to $907m.

Mr Walter L. Weisman, AMI's chief executive, said: "The message behind our record revenues and our declining earnings is clear: we are not managing our costs effectively." He said the fact that other major companies in the investor-owned health care industry were facing writedowns, cost escalations and earnings declines. "Intensifies our own determination to reverse these negative trends at AMI as forcefully and rapidly as possible."

Mr Weisman said AMI's senior management team had been "coalesced and revitalised" in recent weeks. The company had taken the initial steps to implement "the most significant cost-reduction programme in the company's history."

He said: "In the final analysis, I believe the pressures that the health care industry has faced over recent years will result in leaner, more efficient companies to the benefit of shareholders and consumers." AMI's shares slipped $¼ to $17 in early trading yesterday.

IRI chairman favours Ford-Alfa merger plan

BY ALAN FRIEDMAN IN MILAN

PROF Romano Prodi, chairman of Italy's IRI state holding group which owns the Alfa Romeo car company, says the prospect of a takeover of Alfa by Ford of the US is "the most advantageous" proposal.

In his first public reaction to the proposal, Prof Prodi listed four reasons why he wanted to go ahead with the sale of financially troubled Alfa Romeo to Ford.

Prof Prodi's comments come two weeks after a row broke out between IRI and Fiat, Italy's biggest private sector group which spelled out its own plan for Alfa.

The IRI chairman said a deal with Ford would keep Alfa together as a corporate unit. It would also ensure maximum use of Alfa's productive capacity and be "less risky and less costly" for Alfa's parent.

Prof Prodi stressed yesterday that a final decision on the matter would have to wait until July 21, when Alfa and Ford conclude 60 days of technical feasibility talks. Last month Ford and Alfa announced the start of these talks and the prospect of Ford eventually taking majority control of Alfa.

Fiat, whose own car-merger talks with Ford of Europe broke down last autumn, says its plan for Alfa would "preserve the integrity and identity" of the state-owned car maker.

InterFirst warns of $285m setback

BY OUR NEW YORK STAFF

INTERFIRST, the big Texas bank which has been hit by the collapse in oil and gas prices, has announced that it expects to lose as much as $285m in this second quarter because of the need to make provisions of up to $365m on troubled loans. It also said that it would be unable to pay cash dividends for the forseeable future.

The news is the latest sign of the serious financial trouble facing several major banks in the US oil sector and is bound to increase nervousness in the financial markets about the impact of falling oil prices on the more troubled institutions.

InterFirst, with assets of $19.8bn, first ran into problems in 1983 and has since been struggling to recover. It was barely profitable in the first quarter and recently slashed its dividend.

Mr Robert Stewart, InterFirst chief executive, said that the latest provisions reflected "the continuation of the low level of oil and gas prices, the weakness and overbuilt condition in certain real estate markets served by the company and the depressed state of the economy in Texas and the south west."

He said that "a material amount" of the increased loan loss provision related to $80m of credit facilities made by InterFirst Bank Dallas to Mr Edwin L. Cox, a former director of the bank who sat on the credit committee at the time the loans were negotiated. Mr Cox resigned from the bank on June 13.

Mr Stewart said that in spite of the second-quarter loss, which he expected to range between $260m and $285m, the group still retained primary capital of $1.4bn, or 7.4 per cent of total assets.

After strong profits growth in the late 1970s and early 1980s, InterFirst reached net earnings of $207m in 1982. It went $172m into the red in 1983

Italian insurer lifts profits 35 per cent

By Our Milan Correspondent

RIUNIONE Adriatica di Sicurta (RAS), Italy's second largest insurance group, which is controlled by Allianz Versicherung of West Germany, yesterday unveiled a L27.5bn ($18m) net profit for last year, an increase of 34.8 per cent on 1984 results.

RAS said its 1985 total premium income was up by 15.4 per cent to L3,861bn. The Milan-based insurer is raising L80bn through a rights issue in order to strengthen its life insurance division.

Insurance business from Italy last year came to L1,152bn or less than a third of total group premiums. Of the Italian total, some L897bn came from accident insurance and the balance from life.

Allianz acquired effective control of RAS in late 1984, at first taking a one third stake. It now owns 43.5 per cent of RAS. The Allianz stake will rise to 51 per cent in the next year or so. About 40 per cent of RAS shares are held on the Milan bourse.

● La Fondiaria, the Florence-based insurance company which is controlled by Montedison, said yesterday that its 1985 net profit rose by 44.1 per cent to L72bn. Total premium income at the end of last year stood at L555.5bn against L483.8bn in 1984. Montedison controls 25.11 per cent of La Fondiaria, one of Italy's richest insurers.

NL Industries may sell part of chemicals unit to deter bids

BY WILLIAM HALL IN NEW YORK

NL INDUSTRIES, the embattled US oilfield services company, has rejected an unwelcome $15 a share offer from Mr Harold Simmons, a Dallas financier, and announced plans to spin off to the public a $130m stake in NL Chemicals, its most profitable operation.

The company said it had terminated an earlier self-tender offer for 7.5m shares which it launched to "enhance stockholder values" following an earlier hostile approach from Coniston Partners, a New York investor group. It did not rule out similar action in the future.

The termination of the self-tender offer was one of a series of moves announced by the company in an increasingly desperate battle to retain its independence. NL's board, in rejecting the Simmons offer, said that it believed "the inherent value of the company's component businesses is significantly greater" than the $15 a share being offered.

The company has filed a registration statement with the Securities and Exchange Commission for an initial public offering of 3.85m shares, or 18 per cent, in NL Chemicals, of which 2.6m shares are to be offered to overseas investors. The price range for the stock is between $14 and $17 a share.

Banca del Lavoro plans 49% share sale

By Alan Friedman in Milan

BANCA Nazionale del Lavoro (BNL), Italy's largest bank, has announced plans which will see up to 49 per cent of the state-owned institution's equity sold to investors in Italy and abroad. The timing and details of the share sale have yet to be decided.

Mr Nerio Nesi, BNL chairman, unveiled plans in Rome which would allow the bank to change its statute in order to go ahead with the privatisation offer. BNL is today 85.76 per cent owned by the Italian Treasury and the rest of the shares are also state-held.

Mr Giovanni Goria, Italy's Treasury Minister, gave his formal backing to the BNL partial privatisation plan. The Bank of Italy has also approved the move, which would keep state control at a minimum 51 per cent.

BNL has already sold more than L400bn ($263m) of non-voting shares on the Milan bourse. However, this share sale, last December, did not dilute the Treasury's ownership of 85.76 per cent of voting equity.

BNL has 403 branches in Italy. Mr Nesi is one of Italy's most active and outspoken bankers. He is also a colourful figure on the Italian banking scene and has close ties to the Socialist Party of Prime Minister Mr Bettino Craxi.

Kredietbank

KREDIETBANK S.A. Luxembourgeoise is a Luxembourg bank and not a Belgian bank as stated in yesterday's FT. The bank is 45 per cent owned by Almanig-Kredietbank Group of Belgium.

Zale rejects third Peoples offer

BY BERNARD SIMON IN TORONTO

ZALE, the Dallas-based jewellery chain, has rebuffed a third bid for control by Peoples Jewellers of Toronto.

Zale's rejection of the latest $582m offer brought an angry response from Mr Irving Gerstein, Peoples president, who said he was "appalled" that Zale's board had decided in less than an hour to deprive public shareholders of the opportunity to sell their stock at a significant premium to market prices.

The latest offer by Peoples was $42 in cash and $4 in senior preferred stock for each Zale common share. Zale's shares have traded recently at about $37 in New York.

Zale's board said that "the interests of all the shareholders will be best served under the present circumstances by the corporation remaining independent."

The main barrier to the takeover bid by Peoples is the controlling block of shares held by members of the founding Zale and Lipshy families. Mr Donald Zale, chairman, said that shareholders owning about 34 per cent of the company's shares had entered into a "strengthened agreement" to bar a merger with or sale to Peoples.

Tisco to expand steelmaking capacity

By R. C. Murthy in Bombay

TATA IRON and Steel Company (Tisco), India's largest private sector company, plans to expand its steelmaking capacity to 3m tonnes from the present 2m tonnes a year.

The Indian government, which has in the past opposed the private sector expanding in steel, "is not averse in principle" to Tisco's plans, Mr Russi Mody, Tisco's chairman, said yesterday.

The Rs 15bn ($1.2bn) steel expansion project is intended to meet anticipated demand between 1995 and the end of the century. The company has just launched a Rs 11bn modernisation plan, which includes the installation of a bar and rod mill, a new sinter plant, and a 1.3m tonne cement plant based on slime from the steel plant.

The company plans to raise Rs 1bn in foreign currency loans overseas to finance the import of capital equipment. The bulk of the rupee finance will come from internal sources.

Tisco's profits rose strongly in the year to March. Profits before tax advanced by 41 per cent to Rs 1.58bn on a 16 per cent increase in sales to Rs 12.85bn. Net earnings were up 8 per cent to Rs 1.07bn.

The dividend is being raised by four percentage points to 25 per cent. In addition, the company is proposing a two-for-five scrip issue and a one-for-three rights issue. Tisco shares rose by more than Rs 60 in Bombay yesterday to Rs 1,620. Over the past three days the gain has been more than Rs 200.

The government has permitted Tisco to import 150,000 tonnes of hot bricketed iron from Malaysia to restore the balance between its hot metal and steel production capacities. The import will enable Tisco to work the steel plant at full capacity.

Brother Industries interim earnings down by 52%

BY YOKO SHIBATA IN TOKYO

BROTHER INDUSTRIES, the Japanese manufacturer of sewing machines and typewriters, suffered a profits fall of more than half in the six months to May, due in part to exchange losses from the yen's steep appreciation.

Pre-tax profits fell 53.6 per cent to Y3.69bn ($22.2m) and net profits were down 52 per cent to Y1.96bn, on turnover of Y79.1bn, a fall of 11 per cent from a year ago. However, the company is to maintain its interim dividend at Y5 per share.

In an attempt to limit the impact of the yen's rise, Brother has decided to start production of information equipment in the US, Mr Katsuji Kawashima, its president, announced yesterday. It is still searching for a site.

Details are yet to be fixed, but the US plant is expected to provide a product range more oriented to local demands and not a mere extension of the company's domestic product line-up, Mr Kawashima said. The company plans to purchase foreign-made parts and to establish a parts plant abroad in the future, he added.

Brother Industries already manufactures in Britain, Brazil, Taiwan and South Korea.

During the half year, the company was adversely hit by inventory adjustments on office machinery in the US and the imposition of 21 per cent anti-dumping duties on typewriter exports to Europe.

Brother has been moving into the growing market for Japanese language word processors, but here it has been involved in price cutting competition. Sales of information equipment, Brother's biggest business, showed a substantial drop of 18.6 per cent.

Sales of sewing machines, the company's old profit mainstay, retreated by 9 per cent, attributed to mature domestic and overseas markets.

The company's export ratio rose to 62.1 per cent for the half year from 59.7 per cent a year earlier, reflecting weak demand in Japan. For the full year, pre-tax profits are expected to fall by 52.8 per cent to Y7bn, on turnover of Y167bn, down 8.6 per cent from a year ago. The estimates are based on a yen rate of Y160 to the dollar.

Oil project finance for Denison Mines

By Bernard Simon in Toronto

DENISON MINES, the Canadian energy, cement and potash producer, has refinanced a large portion of its debt and negotiated new loans to finance oil projects in Egypt and Italy.

Term facilities of C$186m (US$134m) and an operating credit line of C$75m have been negotiated with two Canadian banks to replace and extend existing loans. Denison's long-term debt stood at C$343m at the end of 1985, of which C$127m fell due at the end of July.

International Finance Corporation has provided a US$60m limited recourse project loan for development of the Meleiha oilfield in Egypt's western desert. IFC will take a 10 per cent equity interest in the project, due to be completed later this year.

Mediobanca of Italy has provided L45bn to help finance Denison's 10 per cent interest in the first phase of the Vega field off the coast of Sicily. Production is due to start in late 1987, rising to 60,000 barrels a day in 1988.

The plunge in oil prices forced Denison to pass its quarterly dividend last month for the first time in 27 years. The company suffered a net loss of C$157m last year.

First-half advance for Shiseido

BY OUR TOKYO STAFF

SHISEIDO, Japan's leading cosmetics manufacturer, lifted pre-tax profits for the half-year to May by 5.9 per cent to Y16.58bn ($100m).

Net profits rose by 4 per cent to Y6.58bn, on turnover of Y164.23bn, an increase of 2.7 per cent from the previous year.

The company attributed the earnings gain to higher sales and a Y2.48bn improvement in non-operating income, which more than offset a rise in advertising and other costs.

The sales improvement stemmed from steady sales of men's cosmetics, sanitary products and a new toothpaste. The company is continuing to develop new cosmetics using plant extracts.

For the full year, the company expects its pre-tax profits to rise by 3 per cent over the previous year to Y32.4bn on sales of Y340bn, up by 3.3 per cent.

Shiseido plans to increase investment in plant and equipment for the year to Y10.9bn from the previous year's Y8.6bn. The investment is designed to promote biotechnology research and the construction of distribution centres in the Kanto, Nagoya and Shikoku regions.

The interim dividend is unchanged at Y5 per share.

BNP subsidiary sues James Capel

BNP South East Asia, a subsidiary of Banque Nationale de Paris, has filed a S$12.7m (US$5.74m) suit against stockbroker James Capel (Far East) and Mr Manharlal Gathani, a director of Ambassador Hotel, according to Singapore High Court officials.

Mr Gathani is alleged to have failed to repay a loan of S$11.4m plus interest which was made last June for the purchase of 1.9m Ambassador Hotel shares at S$6 each, Reuter reports from Singapore.

Mr Gathani is said to have given BNP a forward contract with James Capel to buy back the shares at S$6.75 each this month as security for the loan. But James Capel is alleged to have failed to take delivery of the shares and BNP wants the S$12.7m back plus interest from the June 12 settlement day until the money is repaid.

Germany applies hard and fast capital rules to note issuance facilities

Bankers shrug off NIF weighting

BY DAVID LASCELLES, BANKING CORRESPONDENT, RECENTLY IN BERLIN

WEST GERMAN banks recently received a letter from their supervisory authority informing them that as from next Monday they will have to assign a 50 per cent capital weighting to their note issuance commitments. Germany thus becomes the latest of several industrial countries to apply hard and fast capital rules to this growing form of off-balance sheet business.

The letter means that German banks will have to underpin note issuance facilities (NIFs) with half the amount of capital required for a regular loan. This is the same level as British banks, but higher than a number of other countries.

"We would frankly have preferred 25 per cent," said a senior banker in Frankfurt, "but naturally we accept it."

The letter was sent by the Bundesaufsichtsamt fur das Kreditwesen, the federal bank supervisory office which is located in a grand pre-war building beside a leafy canal in Berlin, sufficiently distant from Frankfurt to be out of bankers' way, but only an hour on the plane if need be.

According to Mr Manfred Schneider, the vice president in charge of international affairs at the office, the 50 per cent level was set less with a view to matching the UK than to fit in with West Germany's existing capital regulations. These already require banks in the federal republic to assign a 50 per cent capital weighting to traditional off-balance sheet risks such as guarantees.

"We did not want to change our ratios, so we tried to interpret our existing ratios. International harmonisation was also a lesser consideration," he said.

One reason why German bankers have been rather passive in their acceptance of this weighting is that they are not as heavily exposed to the NIF market as many of their foreign competitors.

In a study of banking innovation last April, the Bundesbank calculated that German banks have set up dollar-denominated back-up facilities totalling only $340m for German companies since the middle of last year. The figure may be higher once commitments to non-German companies are included. Even so, this is a tiny fraction of a market estimated to total over $30bn. As the Bundesbank noted, the market "is dominated by US and Japanese banks."

German bankers ascribe this low level to their natural caution about plunging into anything new, as well as to the extremely slim margins available in the NIF business. "We usually do it for the sake of our relationship with our customer rather than to make profits," said a capital market executive at one of the country's largest banks.

Having established rules for note issuance facilities, the Bundesaufsichtsamt has now turned its attention to other new financial instruments such as swaps and options. German banks are now required to report business volumes in these instruments on a monthly basis.

The growing interest of the supervisory office in new instruments is a sign both of German banks' increasing involvement in innovation, and of Frankfurt's emergence as a more internationally oriented financial centre since liberalisation began last year.

Not that the office has stood ready to ease its standard to make Frankfurt more attractive to foreigners: German banking regulation is as strict and rule-bound as any. According to Mr Schneider, if there are disincentives in the German financial services business, they have more to do with the level of taxation than regulation.

The latest amendment to the Banking Law last year was expected to pose problems for German banks because it obliged them to consolidate the accounts of their foreign subsidiaries—and this could have weakened their capital ratios.

As it turns out, German banks have enjoyed such good times since then, largely due to the boom in the securities markets, that they have had no trouble meeting the required capital levels.

RISK ASSET WEIGHTINGS REQUIRED BY CERTAIN COUNTRIES FOR NIF UNDERWRITING COMMITMENTS

France: 5 per cent for bank, 50 per cent for non-bank
Germany: 50 per cent
Italy: No specific weightings, though overall ratios apply.
Japan: 30 per cent
Luxembourg: No capital requirements for off balance sheet business
Netherlands: 50 per cent
Switzerland: No specific weightings
UK: 50 per cent
US: 30 per cent

Source: Abstracted from Recent Innovations in International Banking; Bank for International Settlements, April 1986

Hambros Bank in link with New York firm

By Our Financial Staff

HAMBROS BANK is to expand its corporate finance activities in the US by entering into an association with Shea, Paschall & Macchioni, a small New York investment banking firm. The link will be through Hambro America, its US subsidiary.

Mr Michael Sorkin, who heads Hambros' corporate finance division, said the association would enhance the bank's presence on the North American financial markets and give an additional dimension to Hambros corporate finance services.

Shea, Paschall & Macchioni is owned by three partners who previously worked in corporate finance in large US institutions. The link is to be formalised later this year, and would probably culminate in Hambros acquiring the firm.

NZ trustee savings bank merger

BY DAI HAYWARD IN WELLINGTON

ELEVEN of New Zealand's 12 trustee savings banks are to merge so they can compete more aggressively in the country's newly deregulated banking environment.

The combined assets of the 11 banks, which are spread throughout New Zealand, will be about NZ$4bn (US$2.1bn), making the grouping second only to the Bank of New Zealand which has assets of about NZ$8bn.

Full details of the merger will not be announced until next week. The plans were revealed when the Taranaki Trustee Savings Bank said it would not join the new group.

The trustee savings banks have been holding discussions with the government for more than a year. They wanted the special regulations under which they operate to be changed so they could apply for the new banking licences which the government will issue later this year.

The merger proposal is a result of the freeing up of controls on the financial sector. Mr Terry Harris, who has been leading the merger discussions, said trustee savings banks must take advantage of the deregulation and realise they are no longer confined to New Zealand but now have a global area.

As national organisations, the trustee savings banks will lose their government guarantee status. They believe, however, that the advantages of being able to compete on a more equal basis with the existing trading banks, and the new banks expected to set up in New Zealand this year, will outweigh the disadvantages.

Each of the 12 trustee savings banks is associated with a particular geographical area. The Taranaki TSB, located in the wealthy dairy farming and oil producing province, believes it has enough resources to maintain its independence, and it will stay outside the new group.

The Taranaki TSB is the richest of the trustee savings banks. During the past two years the 12, which are autonomous and independent, have joined forces in special areas such as the operation of automated teller machines and the setting up of an electronic funds transfer point-of-sale system.

Many bankers believe that the merger into a centralised national body is the only chance some of the smaller trustee savings banks have to survive in the more competitive deregulated banking scene.

Good start for GMAC Europaper programme

By Peter Montagnon, Euromarkets Correspondent

GENERAL MOTORS Acceptance Corporation has issued around $100m of commercial paper in the Euromarkets since its new programme was activated on Tuesday, Mr Rawle Michelson of dealers Morgan Stanley said yesterday.

The new programme, which GMAC expects to build up to around $2bn or more, is being closely watched in the market as bankers believe its size will make a benchmark issue for top corporate names.

Mr Michelson declined to reveal the selling rates for the paper, which mostly has a three to six-month maturity, but market estimates are of rates varying between London interbank bid rate for Eurodollar deposits (Libid) and Libid less about 7 basis points, depending on the timing and maturity of issue.

"It has met our expectations and we are pleased at this point," said Mr Jerome Van Orman, GMAC's director of US borrowings. He added that the rates achieved were comparable with those available in the US market, where GMAC is the largest single issuer with outstandings of more than $30bn.

Mr Van Orman said GMAC was not interested in tapping Eurocommercial paper if it involved paying a premium of five to 10 basis points over the rate in the US. So far this has not been the case, particularly with the longer-dated maturities which are harder to place in the US.

This approach means that the pace at which the GMAC Eurocommercial paper programme grows will provide a good indication of the relative competitiveness of the Euromarket compared with the US domestic market.

The Euromarket is used to working off a Libid base. This can affect the trend of Eurocommercial paper rates relative to their US counterparts, although arbitrage possibilities have already begun to bring the two markets closer together.

Other dealers in the GMAC programme are Credit Suisse First Boston, Merrill Lynch and Shearson Lehman Brothers International.

● AUSTRIA'S Genossenschaftliche Zentralbank (GZB), which acts as a central financing agency for the country's co-operative banks, is to launch a $200m commercial paper and certificates of deposit programme in the Euromarkets.

It has appointed Citicorp, Morgan Stanley, Salomon Brothers and Saudi International Bank to act as dealers in the programme which will be used to raise funds primarily in US currency.

Separately, Chemical Bank announced that it is arranging a $200m facility for Monte dei Paschi di Siena, the Italian bank, under which dealers will bid for deposits to be evidenced by certificates of deposit.

The five dealers under the new programme are Chemical Bank, Morgan Guaranty, Shearson Lehman Brothers, UBS (Securities) and S. G. Warburg.

American General deal withdrawn

By Our Euromarkets Staff

A $250m Eurobond deal for American General, the US diversified insurance company, was withdrawn yesterday after more than a week of trading in the grey market, as pricing negotiations broke down between the company and lead-manager Credit Suisse First Boston.

The 20-year bond was to have been convertible into American General's equity, and disagreement hinged on the price at which investors were to have been able to buy shares on conversion of their bonds.

The target price for American General was $52. When the deal was announced on June 17, this represented a 27 per cent premium over the $40¾ share price. By Wednesday night, however, the shares had traded down to $39¾, making $52 look too steep, in Credit Suisse First Boston's view.

American General said it was unwilling to abandon its target price because it believes its shares—which stand on a prospective price/earnings multiple of 11 against a US average for the insurance sector of 14, are undervalued.

Credit Suisse had told them that to make acceptable the $52 "strike" price the bond's coupon would have to have been higher than 6½ per cent, the upper indicated level. American General found this unacceptable.

Morgan Stanley, Salomon Brothers International, SBCI and Goldman Sachs were also managers of the deal. There was speculation that one of these houses, and not Credit Suisse First Boston, had first suggested the bond's terms to American General.

Tightly priced FRNs test recent strong demand

BY CLARE PEARSON

THE RECENT strong demand for floating rate notes (FRNs) was tested yesterday when two issuers, Belgium and Alliance and Leicester, the UK building society, came to the market with tightly-priced issues.

Both deals had been bid for competitively by issuing houses. Speculation had been strong that Shearson Lehman had a mandate from Belgium, though Shearson said Belgium finally decided only yesterday morning.

In the event, Belgium was able to obtain $400m of ten-year debt and London interbank bid rate (Libid) flat. At this level, it was able to achieve an attractive swap on part of the proceeds into floating-rate D-Mark funds.

Priced at 100.20, the bond has fees of ten basis points. It can be called after five years at par.

Shearson Lehman conceded that the terms were tight but thought the bond would be sustained by very strong demand for FRNs by sovereign issues. Additionally, it said the management group had undertaken to maintain a secondary market in the bond. Other recent sovereign deals, such as a bond for Ireland, have become illiquid at the secondary market stage.

Initial trading saw the bond bid at 100.20, the issue price.

Bolder still, dealers thought, was the pricing on a £300m deal for Alliance and Leicester. This was the largest sterling floater at issue ever. The eight-year bond, priced at 100.10, pays a coupon of 8 basis points over three-month London interbank offered rate. Fees total 17½ basis points. This gave an all-in cost of 9.3 basis points, which dealers said was inside the trading level of all existing building society FRNs except the oldest Halifax issue.

Morgan Guaranty led the deal, although other issues for Alliance and Leicester have been led by S. G. Warburg. Morgan Guaranty said that sterling FRNs now attract significant foreign interest, as dollar FRNs have become expensive, and this should sustain the deal. It is listed in Luxembourg.

Dealers said it was bid in the market as low as 99.88 yesterday afternoon.

In the fixed-rate sector, prices tended slightly lower. Svenska International launched a $100m bond for its parent, the Swedish bank Svenska Handelsbanken. The five-year bond pays coupons of 8 per cent and is priced at 101. The pricing looked rather aggressive and the bond was bid at 98⅞.

Unusually, there was a new £50m deal in the sterling fixed-rate market, for PHH Group, the US transport company, one of the first issuers of sterling commercial paper. The seven-year bond, led by S. G. Warburg, pays 9⅝ per cent coupons and is priced at par.

The day produced a couple of equity warrants issues for Japanese pharmaceutical companies. Both were of five-year maturities. Nikko Securities launched a $35m deal for Hisamitsu Pharmaceutical with an indicated coupon of 3 per cent and price of par. Pricing will take place on July 2. The shares closed in Tokyo at Y916.

Yamaichi International handled the $40m European tranche, and Diawa Singapore the Asian tranche, of a $60m issue for Dainippon Pharmaceutical. Pricing will be on July 3, but the coupon should be set at 2¾ and price at par. The share price yesterday was Y2,940.

Some weeks after such an issue has theoretically been possible, after Swiss National Bank relaxations, the Swiss market saw the first short-dated public bond. Bank Gutzwiller, Kurz, Bungener, with Credit Lyonnais Finanz, led the deal for C. B. Pak the Canadian plastics and glass company. The issue amount was SFr 85m. Final terms will be fixed on July 10, but the coupon was indicated at 5⅜ per cent, maturity at five years, and price at par.

Swiss bankers have been chewing over the problem of what commissions to charge on short-dated bonds since they became feasible. Bank Gutzwiller set them at 1¾. For a five-year placement, C. B. Pak would have paid 1½ per cent fees.

In the D-Mark sector, trading was quiet although prices edged up fractionally. Mediobanca, the Italian bank, came to the market with a DM 150m deal led by BHF Bank. The five-year bond has a coupon of 2 per cent and is priced at par. The bond carries warrants into shares of SIP, the Italian telephone entity.

Istituto Bancario San Paulo priced a recent lire Eurobond for AT&T, the US telecommunications company. The L100bn seven-year bond, with a coupon of 10¼ per cent, was priced at 99¼, as had been indicated.

Diawa Europe reduced the coupon on a recent equity-warrants bond for Naigai from the indicated level. Expected to be set during pricing yesterday at 3 per cent, it was reduced to 2¾ per cent. The exercise price was set at Y549 per share, compared with yesterday's close of Y535. The foreign exchange rate was set at Y167.2 to the dollar.

● Late in the day, Kleinwort Benson launched a £50m five-year bond for Credit Lyonnais. The coupon was set at 9¾ per cent and price at 100¼. Credit Lyonnais itself was joint lead-manager.

Swiss venture for Shearson

SHEARSON Lehman Brothers is to build up an underwriting role in the Swiss capital markets through a joint venture with American Express Bank. Both are subsidiaries of American Express Inc.

Viscount Bridport joins from Chase Manhattan's Swiss branch to head up the new entity which is to be called Shearson Lehman Amex Finance. Two other former Chase Manhattan employees are to join. Mr Rolf Winzeler is to take charge of investment banking, while Mr Bruno Friedemann is to manage sales.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on June 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Canute James on a programme to limit public sector spending

Jamaica seeks to fatten its assets

THE JAMAICAN Government has embarked on a programme to bring 21 leading state-owned companies under strict financial management. The aim is to reduce their dependence on public funds by making them profitable, or, at the very least, reducing their losses.

In the longer term, the Government wants to strengthen and fatten the public companies to make them more attractive prospects for eventual divestment to local and foreign investors.

Mr Edward Seaga, the Prime Minister and Finance Minister, has pursued a policy of reducing the government's involvement in the economy by offering state-owned enterprises for sale or lease to the private sector. Already several US and local companies have leased state-owned hotels. Tate and Lyle, the leading British sugar company, has taken over the management of the state sugar sector under a ten-year contract, while the state-owned National Commercial Bank, the island's largest, which was created from the local operations of Barclays Bank, is to be divested later this year.

Prime Minister Edward Seaga: offering state entities to private sector.

The 21 public companies which are now the subject of financial scrutiny, include the Jamaica Broadcasting Corporation, which operates the island's only television channel and one of its two radio stations, the Petroleum Corporation of Jamaica, which operates an oil refinery, the local telephone company, and Air Jamaica.

"For years a number of public sector entities have been a drain on the central government budget, requiring support to subsidise operations, cover losses, repay debt or finance development projects," said Mr Seaga when announcing plans for tighter management of the companies.

The combined expenditure for all 21 companies will this year reach J$6.6bn (US$1.2bn) which is more than the Government's budgeted expenditure on them for the year.

Mr Seaga said that although the finances of the 21 selected companies have improved over the past five years, there is still cause for government concern at their performance.

In 1980, for example, after financing their costs, paying taxes, dividends and servicing debts, the companies contributed only J$59.6m towards their capital expenditure — a contribution of 16 per cent.

This year the companies are expected to provide J$533m, or 45 per cent, of their capital development projects.

Five of the companies last year recorded operating deficits totalling J$74.8m. This year only two of the five are expected to be in loss and to show a combined deficit of J$35.5m.

Out of the companies' expenditure this year, J$6.09bn is being financed through revenue, depreciation and other resources, with the shortfall being met from loans and government transfers.

It is on the basis of the promise of tighter management that the Government has projected improvements this year for several of the companies involved. The Jamaica Broadcasting Corporation, for example, which last year recorded a deficit of J$5.7m, is this year expected to achieve a J$2.6m surplus.

The Petroleum Corporation expects to see its J$18.8m deficit of last year reduced to J$4.9m this year, while the telephone company is projecting a J$40.9m surplus after a J$26m deficit last year.

The efforts to improve the finances of the state sector and to seek to privatise the companies represent a community of views of Mr Seaga's pro-business administration, and those of financial institutions

"This is all part of earlier negotiations with the World Bank, which was given a commitment that most of these public entities would eventually be divested," explained Dr Paul Chen-Young, one of Jamaica's leading stockbrokers.

The interest of local and foreign investors in accepting government offers for state entities has been reflected not only in the leasing, management contracting and outright purchasing of hotels, sugar mills and state farms, but also in airline catering operations and a food processing plant.

Yet the Government has had to reverse its policy in two areas sensitive to the economy. Since taking office, the Government has bought a local oil refinery from Exxon of the US after the company threatened to close it —a move which would have brought immediate chaos to local commerce and industry.

The closure of a bauxite refinery last year by Aluminum Company of America (Alcoa) led the Government to set up a state company to lease and re-open the facility to avoid a loss of urgently needed foreign exchange from the most important sector of the weak economy. Alcoa is negotiating to return to Jamaica and run the plant, but Mr Seaga is asking for the Government to have a 51 per cent stake in the facility as one condition of the US company's return.

The NCB's net worth was put at J$67.2m at the end of 1985, and stock market analysts say the institution could be worth J$200m when listed on the stock exchange.

The Government is planning to hold on to one-third of its equity in the NCB, and the analysts say the possible offer of J$140m in shares would be the largest ever made to the Jamaican public.

Stora to build SKr 1.3bn newsprint plant

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

STORA, Sweden's largest forest products group, is to build a newsprint machine at a cost of some SKr 1.3bn ($180m). The new mill will have a capacity of 215,000 tonnes a year. Construction is expected to begin later this year and should be completed during 1988.

The machine will increase Stora's total newsprint capacity to around 615,000 tonnes a year including 100,000 tonnes of magazine paper and 135,000 tonnes a year of improved newsprint. It will also allow Stora to close three older newsprint machines with a total capacity of some 50,000 tonnes.

As part of the project Stora will increase its capacity for thermo-mechanical pulp at its main Kvarnsveden newsprint mill to 330,000 tonnes a year from a current level of some 185,000 tonnes.

Construction of the plant is still subject to approval from the Swedish authorities. It will be Stora's first major investment in a newsprint machine since 1969.

The capacity of Sweden's newsprint producers — Sweden is the world's second largest exporter of newsprint after Canada — is growing quickly and should exceed 2m tonnes a year by late 1988 compared with a production of 1.6m tonnes in 1985.

UK COMPANY NEWS

Lionel Barber reports on the Ferruzzi conference

Beeting around the sugar bush

CHAIN-SMOKING his way through yesterday's press conference at the Howard Hotel, London, Mr Raul Gardini appeared the epitome of innocent charm and courtesy.

For almost an hour, Mr Gardini, the 52-year-old chairman of Ferruzzi, the giant Italian food and agricultural concern, offered his audience a hazy overview of his plans for the European sugar industry.

In that short space of time, he managed to allude to the Marshall Plan, world famine, the Common Agricultural Policy, EEC food surpluses and a co-ordinated programme in Europe for alternative applications of sugar in the chemical industry.

The one subject which Mr Gardini did not tackle was whether he definitely intended to launch a takeover bid for S & W Berisford, the commodity trading group, in which Ferruzzi has a 23.7 per cent stake.

He remained equally coy about his designs on Berisford's wholly-owned subsidiary, British Sugar, the UK beet monopoly.

Over the past fortnight there has been widespread speculation in the press and the stock market that Ferruzzi would launch a formal offer for Berisford.

This speculation has not been dampened by either Ferruzzi, its adviser Barclays Merchant Bank, or its public relations team, Good Relations.

The result was a sharp spurt upwards in Berisford's share price yesterday morning to 239p, valuing the commodity group at £450m. Only later, when it was clear that the Italians were once again staying their hand, did the price fall back to 232p.

The see-saw movement in Berisford's share price has not only left stock market speculators baffled and angry. Charterhouse Japhet, merchant bank adviser to Berisford, yesterday urged Ferruzzi to clarify its position, if necessary by making a formal bid.

Privately, both Charterhouse and Berisford argue that the uncertainty has created a false market in the group's shares and made it more difficult to do a deal with the Italians.

In fact, Ferruzzi's failure to lay its cards on the table is in keeping with the elaborate poker game which has developed over the future of Berisford and British Sugar.

It began last February when Ferruzzi let it be known it was interested in acquiring British Sugar, unencumbered by the rest of Berisford's interests which include trading in soft and hard commodities, property and financial services.

Hillsdown Holdings, the acquisitive UK food and furnishing manufacturer, then announced an all-share offer for Berisford worth £486m. And finally Tate & Lyle, the UK sugar refiner, entered the bidding for British Sugar alone, *albeit with an offer hedged with* pre-conditions, notably that it would not be referred by the UK government to the Monopolies and Mergers Commission.

Both Tate and Hillsdown found that their offers were referred to the Monopolies Commission. Hillsdown subsequently withdrawn and back came Ferruzzi, snapping up Hillsdown's 14.7 per cent stake and re-declaring its interest in taking control of British Sugar.

So why have both Tate and Ferruzzi been so reluctant to launch a straightforward bid and settle the matter in a conventional City shoot-out?

The answer lies in the political nature of the sugar industry, both in the UK and the rest of Europe.

Highly regulated, both in terms of price and production, sugar is simply deemed to be too important to be left to the likes of big international private sector players such as Tate and Ferruzzi.

The more so when Ferruzzi, plus British Sugar, would raise its European market shape from its current 18 per cent to 22.5 per cent. Tate, meanwhile, would boost its UK market share to more than 90 per cent if it gained control of British Sugar.

Tate and Ferruzzi also know that their designs are bound to arouse suspicion, from the consuming public, from the sugar farmers in the UK and Europe, and above all from the competition watchdogs in London (the Office of Fair Trading) and Brussels (the European Commission's DG4).

Hence the (enforced) willingness of both companies to have their intended bids scrutinised by the Monopolies and Mergers Commission, without having to launch a costly underwritten formal offer.

In Tate's case, this has happened. The hedged offer has therefore lapsed. But Ferruzzi, *so far, has had no such luck.*

Mr Jonathan Scott, of Barclays De Zoete Wedd, said yesterday that he had encountered extraordinary difficulties in persuading British civil servants to refer Ferruzzi's intended offer to the Monopolies Commission.

The Office of Fair Trading retorted yesterday that it was still examining Ferruzzi's proposals and was likely to make a recommendation shortly to the Secretary of State for Trade and Industry, Mr Paul Channon.

It pointed out that the mere declaration of an intent to bid was enough to warrant a reference, so Ferruzzi is almost certain to find itself the subject of a full MMC inquiry lasting at least six months.

Tate and Ferruzzi knew they need all the hours available to put their case to the politicians and the public for the enormous one-off boost to their respective market shares, if they can get control of British Sugar.

The clean-cut, smiling Mr Gardini is going to be a familiar face in Britain over the next few months.

Trevor Humphries

Ferruzzi executives: Mr Raul Gardini, the chairman (centre) with Mr Renato Picco on his left and Mr Mario Gabbrielli

Tranwood raises bid for Aitken to £89m

By Charles Batchelor

Tranwood Group, the "shell" company headed by Mr Nick Oppenheim, yesterday increased its all-share takeover bid for Aitken Hume, the troubled financial services group by £9m to £89.1m.

Tranwood followed up the increase in its offer with an announcement that it had raised its effective holding in Aitken from 10 to 36.81 per cent following additional acceptances of its offer from a number of institutions.

The revised bid comprises 10 Tranwood shares for every Aitken share, an increase of one Tranwood share on the original offer. With Tranwood's shares unchanged at 19½p yesterday the offer is worth 195p for each Aitken share. Aitken's shares fell 1p yesterday to 160p.

Mr Oppenheim said most of the additional acceptances had come from clients of stockbrokers Laing & Cruickshank. Most significant among them was Mutual Shares Corporation, a US mutual fund group which had a 12 per cent stake in Aitken.

Mutual's acceptance "totally defused" the argument put forward by Aitken that a change of ownership of National Securities & Research Corporation (NSR), Aitken's US fund management group, could lead to NSR losing valuable mutual fund management contracts, Mr Oppenheim claimed.

Mutual, which knew the US fund market, would not have accepted if it thought this was a real objection, Mr Oppenheim said.

Aitken had earlier warned its shareholders that NSR might become entirely worthless to Tranwood if the bid succeeded and it lost its management contracts.

"The band wagon has started rolling," Mr Oppenheim said. "We are 23 days into an all-paper offer and we already have nearly 37 per cent of the shares."

Tranwood has verified acceptances from the owners of 31.74 per cent of Aitken's equity, acceptances from 3.85 per cent which have yet to be registered and it owns a further 1.22 per cent.

Dee shareholders fail to take up full clawback

BY DAVID GOODHART

SHAREHOLDERS in Dee Corporation have taken up only 25 per cent of the 75 per cent clawback option from the controversial £350m vendor placing earlier this month.

The vendor placing, the company's third in 19 months, was designed to help finance the acquisition by Dee of the Fine Fare and Shoppers Paradise supermarket chains from Associated British Foods.

When Dee announced that it wanted to issue 147.5m new shares and offer only 25 per cent of them to existing shareholders there was an instant outcry from some of its major institutional shareholders. It was agreed to push the figure up to 75 per cent.

The fact that so little interest has been shown by Dee shareholders will be a boost to those who have argued in favour of placing shares with new shareholders. They say that it is cheaper and quicker and does not discriminate seriously against existing shareholders.

Dee shareholders have applied for 37.4m out of the 147.5m shares placed with institutions on June 4. That means the new shareholders will only have to give up 25.4 per cent of their holdings rather than the maximum possible 75 per cent.

Mr David Verey, deputy chief executive of Lazard Brothers, the merchant bank advising Dee on the placing, said: "It appears that the level of clawback was 25 per cent which was just what we thought would be most suitable.

"But we don't have a theological position on pre-emption rights (the rights of existing shareholders to have first bite at a new issue) that's up to the institutions and the companies they invest in to work out."

Mr Verey did add however that the extension of clawback to cover 110.6m of the shares issued had caused Dee to incur another £1m in underwriting costs.

It was also announced yesterday by the Office of Fair Trading that the £686m acquisition of the Fine Fare Group would not be referred to the Monopolies and Mergers Commission.

Woolworth raid lifts Dixons stake to 5.2%

BY ANTHONY MORETON

Dixons, through its stockbrokers Cazenove, bought 2.7m Woolworth Holdings shares yesterday in a sudden reversal of its recent policy which had been to let the Woolworth share price drift lower.

These purchases which took the Dixons stake in Woolworth to 9.3m shares or 5.2 per cent of its equity came four trading days before the climax of Dixons' £1.8bn takeover bid for Woolworth.

Mr Gerald Corbett, Dixons' corporate finance director, said the aim earlier in the week had been to let Woolworth shareholders realise how low their shares might fall if the Dixons bid failed. Dixons believe Woolworth could go as low as 550p to 600p if the bid lapses.

The decision to suddenly start buying shares was intended to build up a momentum to persuade shareholders to accept in the closing days of the 12-week bid. There would, however, be no point in buying shares which would anyway be voted in favour of the bid, he added.

Mr Corbett denied that Monday would be the last day on which Dixons could buy shares because of the time needed to establish the change of ownership. Any shares bought could be registered very quickly in Dixon's name, he said.

Dixons owned 5.2m Woolworth shares when it made its offer in early April and before yesterday's purchases had bought only 1.4m extra shares since launching its bid. Yesterday's purchases were made at 760p.

With Dixons' shares 2p firmer at 338p yesterday its all-paper offer is worth 821.5p for each Woolworth share and its combined share and cash offer is worth 802.4p. Woolworth rose 13p to 785p yesterday.

McKechnie fires final defence salvo

By David Goodhart

McKechnie Brothers yesterday fired its final defensive salvo against the £160m bid from Evered Holdings pointing out that next year's results will benefit from major new contracts with Austin Rover, Duracell, Ford, IBM, Marks and Spencer, Polaroid and Sunblest.

Its final defence document stressed several other factors which the company believes will produce a major spurt of growth including the productivity improvement following its £8m investment in the metals operation, the full year effects of the reorganisation of the chemicals business and a full year's trading from Plastic Box.

Dr Jim Butler, chairman of McKechnie, repeated his belief that the Evered share price was based on an underlying business of low quality and had wilted by more than 50p in the past two months.

He also stressed that almost half of McKechnie's 1986 earnings would come from plastic and consumer goods. The Evered cash offer valuation of 12.8 times forecast earnings was far lower than other recent takeovers in the plastics industry.

McKechnie concluded that Evered had failed to show that its management style was more than a brittle piece of public relations hype. It asked why it had made no forecast for the first half of 1986, which was almost over.

Ward White makes good start

THE CURRENT year at Ward White Group, footwear manufacturer, has got off to a good start with sales running well ahead of 1985, Mr P. Birch, chairman, told the annual meeting. He said that he confidently expected another year of strong performance and solid progress.

The group's shares closed yesterday up 16p to 326p.

Worldwide sales for the 1986-1987 year were projected to be over £600m, which included £500m from retailing in the UK.

Following the acquisition late last year of Owen Owen, Mr Birch said the company carried out a re-appraisal of its business. He anticipated that Owen would make a valuable contribution to earnings.

As a result of a major refurbishment programme, sales and profits at Halfords had increased.

Stonehill falls to £38,000

PERSISTENTLY difficult trading conditions have been blamed for a fall in pre-tax profits at Stonehill Holdings, furniture maker, from £1.04m to £38,000 in the year to April 6 1986.

However, Mr P. Steinberg, chairman, believed future results would justify the decision to maintain the final payment at 3p for an unchanged total payment of 6p.

Turnover was £17.56m (£18.61m) and trading profit came out at £382,000 (£1.34m). The pre-tax figure was struck after depreciation of £344,000 (£303,000).

After tax of £2,000 (£422,000) attributable profits came out at £36,000 (£619,000). Dividend payments came to £211,000 (£420,000) but the rights to £209,000 were waived this time.

Edington's deposit licence

Edington, the newly-created Manchester-based financial institution, has received a Bank of England licence to take deposits, and will open for business by the end of July.

The company's subscription offer, which closed last Friday, has raised over £7m in a combination of equity and loan notes. Subscribers include several financial institutions, insurance companies and pension funds. Private individuals have also subscribed.

Edington will offer a broad range of financial services to corporate and private clients in the north of England. Through its cross holding with Henry Cooke, Lumsden, the stockbroking firm, it will also engage in the securities and portfolio management business.

Mr Angus Scrimgeour, the chief executive, said yesterday that he expects to build Edington's balance sheet up to £30m to £40m of loans within five years. The majority of the revenues, however, would come from fees.

He said it was important for a financial institution to be able both to offer advice and to deliver the finance itself, rather than broke it in the market.

BRITANNIA ARROW HOLDINGS: The concert party formed by MIM and Mr Robert Maxwell, the publishing magnate, has increased to 34.59 per cent its stake in Britannia, the unit trust and investment management group, following its recent rights issue. At the end of May it held shares representing 33.7 per cent.

US £21m bid for North Sea oil explorer

Texas Gas Exploration, a subsidiary of CSX Corporation, the large US transport and natural resources group, yesterday launched a £20.5m agreed cash bid for Industrial Scotland Energy, a USM-quoted oil and gas company.

The bid is a rare example of an offer for a quoted UK independent oil company from a foreign one, and is thought to be the first from an American predator.

Texas, advised by Morgan Grenfell, is offering 90p in cash for each ISE share, which have risen from a 1986 low of 43p to close last night at 88p, up 3p on the day.

ISE, which raised £7.5m last November from a rights issue, is one of the few UK independents with a good cash position.

Its assets include a producing interest in the Forties field, onshore and offshore exploration interests in the UK and onshore in France, as well as minor production interests in the US.

ISE joined the USM in August 1984 and reported net profits of £1.35m last year, with oil production of 1,130 barrels.

US funds raise Lonrho stakes

New York-based mutual funds which have been building up a stake in Lonrho, the trading conglomerate headed by Mr Tiny Rowland, have increased their combined holding to 23.23m shares, some 7.6 per cent of the equity, from about 20.75m shares.

Mutual Shares Corporation has acquired a further 1.5m shares, lifting its holding to 15.49m, and the Mutual Qualified Income Fund had raised its stake by 1m shares to 7.15m. The Mutual Beacon Fund holds 475,000 shares, the Heine family fund 110,000 and Michael Price and family 17,600.

IN BRIEF

KEWILL SYSTEMS, computer software, which was launched on the USM last September, increased its pre-tax profits by 24 per cent from £504,000 to £626,000. Turnover was up from £3.3m to £4.23m, an increase of 28 per cent. The group is paying an initial dividend of 1.2p.

CENTROVINCIAL ESTATES lifted net revenue from investment properties from £2.9m to £3.46m in the year to March 1986, but there was an increased loss of £2.45m (£190,000) from its property dealing. The dividend is maintained at 6p with an unchanged 3p final.

SPEYHAWK, property developer and construction company, raised pre-tax profits from £1.2m to £2.11m in the six months to March 1986. Turnover was £17.14m (£28.07m). The interim dividend is unchanged at 2.52p, and earnings are shown up at 10p (7.1p).

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bankers' Inv ...2nd int	0.6	Aug 29	0.5	—	2.6
BPB Inds	5.5	Aug 15	4.6	9	7.7
BTP	†3	—	2.3	4.5	3.5
Burtonwood Brewery	†8.3	—	7.5	10.8	10
Centrovincial Ests	3	Oct 6	3	6	6
Chemring Group ...int	†6	July 4	5	—	13.5
CH Industrials	1.9	Sept 11	1.66	2.4	2.11
Clyde Blowers ...int	0.83	—	0.83	—	6.82
Courts	2.95	—	2.95	4.7	4.7
CPI Holdings ...int	1	—	1	—	2
Crest Nicholson ...int	†1.75	Oct 6	1.5	—	4.15
Hargreaves Group	3.1	Aug 4	2.5	5.5	4.5
James Latham	9.25	Sept 10	8.25	14.25	13.25
Kewill Systems	‡1.2	Sept 3	—	1.2	—
Ocean Wilsons	3	—	2.2	3.75	2.95
Speyhawk ...int	†2.52	—	2.52	—	9.52
Spice ...int	‡0.26	—	—	—	—
Stonehill Hldgs	3	—	3	6	6
Walker & Staff	2	—	1.7	2	1.7

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

Guinness Export to axe 100 jobs

ANOTHER 100 jobs are to be shed in the Greater Merseyside Region, by Guinness Export. The company will close by October its administrative office in Liverpool, its final link with the city.

Some jobs will be switched to Runcorn and the remainder to London. The employees will be offered either transfers or redundancy terms.

Hattersley Newman Hender, the industrial valve manufacturers are to shed 51 of its 575 workforce at Ormskirk because of increasing competition in the engineering industry. The company will also consider the introduction of a four-day week to prevent further cuts.

Thames TV share allocations

BY ALICE RAWSTHORN

THE BASIS of allocation for the issue of shares in Thames Television was announced yesterday. The offer for sale was oversubscribed 25.9 times, while the offer of shares to employees was oversubscribed twice.

Thames released 17m shares, or 35.6 per cent of its equity, on the stock market and received applications for 459.39m shares. Employees had preferential rights over 1.7m shares and 1,133 members of Thames' staff applied for 5.14m shares.

For the public issue Thames' merchant bank, County, will allocate shares on the following basis: applications for up to 3,500 shares will be put into a weighted ballot for 200 shares; applications for between 400 and 10,000 shares will receive 200 shares; while applications for more than 10,000 shares will receive two per cent of the shares applied for up to a maximum of 50,000 shares, rounded to the nearest 50 shares.

Some large applications made in the same corporate name will be aggregated for allocation.

"We have tried to ensure that there will be a broadly based spread of investors," said Mr Robert Dutton, a director of County.

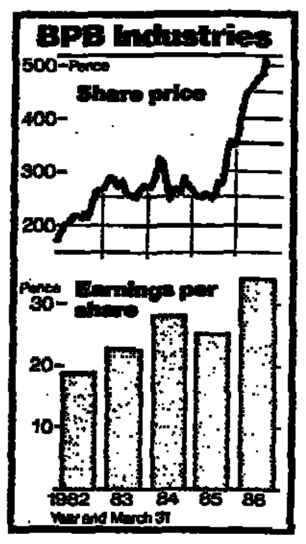
"Although on a pro rata basis, small shareholders are more likely to receive shares, there should be around 49,000 allocations, so almost half the applicants will receive shares."

Employees shares will be allocated on the following basis: all applications for up to 1,000 shares will be satisfied in full; while applications for more than 1,000 shares will receive 1,000 shares and 18 per cent of the excess over 1,000, rounded to the nearest 50 shares.

Dealings in Thames Television's shares will begin next Thursday.

UK COMPANY NEWS

BPB rises 31% helped by overseas subsidiaries



WITH strong profit-growth by overseas subsidiaries, BPB Industries has exceeded market expectations and announced a 31 per cent rise in pre-tax profits for the year ending March 31 1986.

BPB, which supplies gypsum-based products and other building materials, and is the largest plasterboard manufacturer outside the US, improved sales over the year from £564.3m to £616m. The pre-tax result came out £24.6m ahead at £103.2m, while City analysts were looking for around £96m. The shares closed 23p higher at 510p.

The directors said that prospects for 1986-87 and beyond were most encouraging, with both UK and overseas companies expected to perform strongly.

Shareholders are to receive an increased dividend total of 9p (7.7p), with the final raised from 4.6p to 5.5p. Earnings per 50p share are shown up at 33.9p (25.1p).

Trading conditions in the UK strengthened as the year progressed and most businesses experienced improved results. Sales in the UK building materials sector were £320.3m (£300.5m), and in paper and packaging £108.5m (£104.4m). Operating profits were £52.4m (£47.2m) and £12m (£11.2m) respectively.

The overseas subsidiaries achieved the most significant profits increase, notably Westroc Industries in Canada and Placoplatre in France. In both cases this was mainly due to improved market conditions, the directors said.

In building materials turnover for the overseas companies amounted to £210.4m (£180.9m), generating an operating profit of £29.5m (£15.2m), while sales and profits in paper and packaging were £34.1m (£29m) and £1.8m (£0.4m) respectively.

The directors made a capital investment of £40m in fixed assets during the year, principally for the continued improvement and development of the gypsum and paper activities.

Total operating profits rose from £74m to £95.7m, to which related companies added £6.9m (£7.1m) and interest £0.6m (£2.5m charges).

Tax took a higher £38.4m (£30.5m), and after minorities of £0.1m (£0.3m) and an extraordinary debit of £1.5m due to the disposal of its drop forging interests, attributable profits increased to £63.2m (£47.8m).

See Lex

CHI on target with 45% rise to £2.1m

STRONG PROGRESS by its chemical and polymer interests enabled CH Industrials to life its 1985-86 profits to £2.11m, an improvement of 45 per cent over the previous year's 1.5m.

The results were in line with the forecast made by the directors last month at chas e of Parnall & Sons. As promised, shareholders are to receive a final dividend of 1.9p which will raise their net total from 2.11p to 2.4p.

Turnover for the year to March 29 1986 advanced from £22.77m to £30.29m—apart from chemicals, the group has interests in specialist engineering and design, and property and investment.

Sales of chemical and polymer products rose by 33 per cent, and at the operating level profits of the sector pushed ahead by 36 per cent to £2.1m.

Pre-tax profits took in a £329,000 share of the associates results, compared with previous losses of £48,000.

Tax accounted for £292,000 (£233,000) but extraordinary items added £222,000 (took £390,000).

● comment

CH Industrials is an acquisition-minded company and does not care who knows it. Despite the failure of its bid for Banro Industries, it came out with a £1m profit and has since bought Parnall and Valor Bruce which should contribute £1m and £300,000 respectively this year. Parnall will add the third leg of furniture and shopfitting to the existing chemicals and specialty engineering divisions making CH a genuinely diversified industrial holding company. This year's acquisitions should be smaller in scale and designed to consolidate its niche in the three sectors. Organic growth contributed about half last year's profits increase and with the probability that losses at Aston Martin Tickner will be eliminated and the contribution from Parnall and Valor Bruce, profits of £4.2m look achieveable this year. On a tax charge of 20 per cent, that puts the shares at 88p on a prospective p/e of 7. Even allowing for a 35 per cent charge, the p/e is 9, modest considering the growth potential.

Hargreaves up 27% to £9m

Hargreaves Group yesterday matched the top end of anaysts' forecasts when it announced a 27 per cent increase in full year profits.

The result — pre-tax profits just breached the £9m mark against £7.1m—largely reflected the rationalisation of the company's quarries business which accounted for most of a £2.06m rise to £2.77m by the environment and construction materials division.

Energy, transport and shipping services — the main source of profits — contributed less at £5.98m, although the previous year's £6.33m was demand for fuel oil in the face of the miners' strike.

Hargreaves' slimmed down commercial vehicle distribution operations earned a more creditable £274,000 against £69,000. Mr Robert Strachan, group managing director said while this division produced "an acceptable return on investment" he hinted that it could be sold.

The overall result also benefitted from a £1m cut to £0.5m in interest charges.

He was cautious about predicting group growth prospects for this year, and stressed that 1986-87 would see consolidation and the same rate of profits improvement should not be looked for.

Meanwhile, shareholders are set to receive a higher final dividend of 3.1p (2.5p) for a 5.5p (4.5p) total, comfortably covered by 1985-86's earnings per share of 15.1p (9.8).

● comment

Hargreaves has come a long way since it was woken from its slumber four years ago and yesterday's statement drew an undeserved reaction in the shares—down 10p to 180p. The company has carved out profitable, albeit sometimes volatile, positions in niche markets and the apparent slowdown in the second half was no more than a reflection of the unwinding of the previous year's abnormal fuel oil market. Even without any upturn in its underlying markets Hargreaves should see profits heading towards £10m, assuming, of course, it does not add to its list of subsidiaries. So a prospective p/e of around 10 seems pitched on the cautious side even if 1986-87 is going to be a year of "consolidation."

Adam Leisure £0.33m in red for first half

The downturn in sales of electronic games which hit the Adam Leisure Group in 1984 continued through the opening six months of the 1985-86 year.

Losses for the period totalled £325,000 pre-tax. That compared with £494,000 a year earlier and with a deficit of £745,000 in the second six months of the 1983-1984 year.

The directors said yesterday that the traditional peak selling period up to Christmas had been below expectations. They added, however, that the New Year sales period had been very encouraging and had shown a substantial increase over the same period of last year.

The improvement was largely due to wide acceptance of new products. In all, the directors said they were confident that Adam had a much stronger product range for 1986 and 1987 which would go a long way to assist the group's recovery.

The shares were offered at a minimum tender of 80p and rose to a high of 105p in 1983. Yesterday, they closed unchanged at 16p.

Overseas contract losses slow Wellman progress

AFTER swinging back into profit at the interim stage, Wellman, thermal and mechanical engineer, designer and manufacturer, made further significant progress during the second half, but pre-tax profits were pegged back as a result of a £689,000 loss on an overseas contract.

Pre-tax profits were £674,000 in the year to March 31 1986, compared with losses of £1.84m in the previous year. At halfway, the group reported profits of £142,000 (£585,000 losses). No dividends are again payable until reserves are rebuilt, the directors said.

Group turnover was down from £47.13m to £40.39m, with continuing businesses contributing £40.01m (£43.53m). Operating profits were £2.41m against losses of £771,000.

After tax down from £139,000 to £49,000, minorities of £3,000 (£14,000) and an extraordinary debit of £567,000 (£345,000 credit), retained profits came out at £55,000 against losses of £1.65m.

Stated earnings per 25p share were 3.97 (14.23p losses) basic, and 2.42p (8.3p losses) fully diluted.

Downturn at Burtonwood

DESPITE A £5.17m improvement in turnover to £30.46m Burtonwood Brewery saw its profits for the past year fall to £2.04m pre-tax.

In 1984-85 they recovered from a depressed £2.23m to £2.41m. With yesterday's preliminary results the directors said a significant recovery was under way and that action was being taken to deal with poor performance areas.

They added that management had been strengthened and that the future held "many opportunities for and few threats to Burtonwood."

Earnings for the year to March 31 1986 fell to 35.1p (52.7p). A final dividend of 8.3p, however, raises the net total from 10p to 10.8p on the enlarged capital—at least 10p was forecast last July at the time of the £3.24m rights issue.

Property sale boosts Latham to £1.91m

BOOSTED BY a property sale surplus of £1.45m pre-tax profits for James Latham, timber merchant, improved by £251,000 to £1.91m. An increase in the final payment from 8.25p to 9.25p is proposed, making the total 14.25p, against 13.25p. Earnings per £1 share were 49p (47.9p).

Turnover was up by 5 per cent at £37.02m (£35.34m) and trading profit came out lower at £1.91m (£2.49m).

Mr Michael Latham, chairman, said that during the reorganisation there had been some dislocation and extra trading costs had been incurred. He added, though, that facilities had been completely modernised and borrowings had shown a significant fall.

Depreciation was up at £305,000 (£223,000) and interest charges were higher at £663,000 (£611,000), making the profit, before the sale surplus, £946,000 against £1.66m.

The chairman said that the policy of investing in merchanting activities was proving successful.

Of the present year he added that the company's businesses were trading satisfactorily. In particular the regional operations were continuing to make progress.

The tax charge was £595,000 (£371,000) and with dividends absorbing £438,000 (£413,000) the retained profit for the year was slightly ahead at £875,000, against £873,000.

Trilion/Limehouse

Trilion, the USM-quoted broadcasting and television production company, yesterday confirmed its purchase of Limehouse Studios, the independent production company based in London's docklands, for £5.2m, to be satisfied by the issue of 6.75m shares and a £185,000 loan note.

Trilion also announced that it had entered into arrangements for the raising of £2.3m net of expenses by a placing of 3.3m 10p shares at 75p a share.

UK COMPANY NEWS

ISSUE NEWS

Sovereign Oil in £2.5m cash call

BY TERRY POVEY

Sovereign Oil and Gas, the independent North Sea oil exploration and production company which is struggling to cope with a falling cash income, has announced a £2.5m rights issue.

Dr David Biggins, managing director, said that the rights proceeds would be used to bolster working capital and were an "insurance policy to see us through the recession. We are also looking to buy producing assets from companies in distress and will be switching our emphasis away from exploration," he added.

The 10.5m new shares being issued, on a seven for 30 basis, are being priced at 25p, the par value of Sovereign's ordinary shares. When the company joined the USM in 1980, as one of the market's first 11 members, the shares were offered for sale at 460p.

Along with the rights issue, Sovereign has also announced a restructuring of the contract on the Explorer deepwater drilling rig, the cost of which has been a major drain on the company's cash flow.

The rig contract has led Sovereign to do more drilling than would otherwise have been the case, said Dr Biggins, but this had been necessary in order that the rental payments could be offset against the petroleum resource tax—if fully sheltered the cost of the rig rental to Sovereign would have been reduced to $10,000 a day.

Built two years ago at a cost of $140m, the Explorer rig was leased on launching by Sovereign on a five-year contract from a consortium of banks and financial institutions. The daily rental cost agreed was $80,000, shared between Dow Chemicals and Sovereign.

In January this year, following the cancellation of many drilling contracts by third parties and the abandonment by Sovereign of its own drilling programme, the rig was laid up. However, according to Dr Biggins, the cost of mothballing the rig was $53,000 a day (for which Sovereign was liable for half), none of which was offsettable against the resource tax.

Under the new arrangement Sovereign will pay the owners of the rig £10m over the next six years with the first payment due in January 1987. The anual payments are pinned at a maximum of 25 per cent of post-interest profits on existing acreages. Any rolled forward payments will become due in April 1992 with interest charges subject to a £2m ceiling.

In order to complete the refinancing plan, Sovereign has already paid £1.6m to Scott Drill, the operating company for the rig.

● comment

There is no way that Sovereign can disguise the distress element in this rights issue—which two of the company's six main shareholders (speaking for 15.6 per cent of the shares) have declined. It would appear that it is only the limited recourse nature of much of its debt that is keeping the ship afloat with the reduced cash flow being used to pay interest charges. In almost Latin American debtor style, Sovereign has confronted its financiers (and major shareholders?) with an offer they cannot refuse. However, there is little investor interest left in Sovereign, and the long delay in producing the 1985 annual report has given what residual confidence there was a further blow. By clinging onto the high cost Emerald development and talking of acquiring producing acreage, Dr Biggins is doing nothing to sooth the market's furrowed brow. With little to hold the shares much above par value, they closed at 34p, the best that can be said is that the downside looks limited by institutional stoicism. No doubt the banks will be declaiming "we was rigged."

USM debut for Space Planning

Space Planning Services yesterday unveiled the full details of its debut on the Unlisted Securities Market.

A placing of 1.63m shares in the company at 98p each is being arranged by Chase Manhattan Securities. SPS is a professional consultancy specialising in its namesake as well as interior design, and project management concentrating on the working environment in the office.

In the year to end last June the company made pre-tax profits of £301,000 on turnover of £1.48m and yesterday forecast that the current year, which ends next week, should produce profits of £435,000 on turnover of £2.01m.

On a 38 per cent tax charge the prospective p/e ratio on the placing price is 16.1. The placing represents 32.5 per cent of the company's ordinary capital.

If the shares had been held publicly during the current year, the directors would have recommended total dividends of 1.8p — this gives a yield of 2.6 per cent and would be covered 3.4 times by forecast earnings.

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Camotech joining the USM with £1m placing

BY PHILIP COGGAN

Camotech, the precision injection moulding and air cleaner manufacturer, is coming to the unlisted securities market via a £1m placing. The 1.62m ordinary 10p shares will be placed by brokers Margetts & Addenbrooke, at 63p, putting a market capitalisation on the company of £3.15m.

The group was formed in 1983 through the merger of two existing companies, PB Stewart Moulding and Air Cleaner Technical Services. Its main customers are in the motor industry, which at present accounts for 80 per cent of the group's turnover.

However, the company hopes to reduce that figure to 60 per cent by expanding its sales of up-market plastic mouldings in the office and domestic equipment sectors.

Just over half of the shares being placed are new and will net the company £360,000 after expenses. After the placing, the group will have virtually no borrowings.

Camotech is forecasting profits for the year ending August 31 1986 of £445,000 (£434,000). On a tax charge of 45 per cent, that puts shares on a p/e of 12.9. However, the tax charge should fall to 35 per cent following the conversion of shareholders' loans and the notional p/e to 10.9. The directors intend to recommend a final dividend of 0.333p per share payable next February.

Dealings in the shares commence on July 7.

Ford & Weston placing gives £7.5m value

As the retail revolution continues, another company, Ford & Weston, with substantial shopfitting interests is coming to the USM. The company was founded in 1874 but the real story dates from 1977 when Edward Stanger joined the company. Stanger, now chairman and chief executive, has expanded the group through the acquisition of local building firms and in 1980 Gibson Lea, the shopfitting company which produces Storebest and Slatwall.

Around 30 per cent of the group's capital is being placed by Lloyds Merchant Bank in the form of 2.65m 5p shares priced at 85p. The company will net £1.07m from the issue which suggests a market capitalisation of £7.5m.

Profits of £925,000 are forecast for the year ending September 28, 1986 which puts prospective earnings per share at 7.8p and the multiple at 10.9. Last year, F & W made profits of £776,000 on turnover of £45.3m. The company intends to make further building acquisitions to push the profits from contracting from 40 per cent to 50 per cent of the total.

The directors intend to recommend a final dividend of 1.51p per share payable in March 1987. Dealings in the shares commence on Monday, July 3rd.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Anglo United Developments, Brint Investments, Clyde Blowers, First National Finance Corporation, First National Securities.

Finals: Anchor International Fund, Celestion Industries, Meracon Thompson and Evershed, John Michael Design, Midland Marts, Roe Brothers, S and U Stores.

FUTURE DATES

Interims—	
Allied Textile	July 2
Automated Security	July 24
Sandvik	Aug 20
Spafax Television	July 17
Finals—	
Crown House	July 11
Elswick-Hopper	July 2
Estates and Agency	July 2
Hogg Robinson	July 8
New London Oil	July 10
Osprey Communications	July 16

Courts profits down to £6m

THE RELATIVE strength of sterling, lower property profits and the cost of establishing new operations, have contributed to a downturn in pre-tax profits at Courts (Furnishers) for the year to March 31 1986.

The directors said trading profits for the year were satisfactory, but the pre-tax figure was down from £6.99m to £6.01m. Turnover increased from £86.91m to £90.22m.

Exchange movements were detrimental to the extent of £661,000 on the translation of overseas trading results, and a further £348,000 (£199,000) on the repatriation of funds from overseas companies to the UK.

Property profits were considerably lower at £393,000 compared with £1.17m. Interest charges were up from £1.78m to £2.28m. After tax of £1.9m against £2.85m and minorities of £301,000 (£276,000), profit available for distribution was £3.81m (£3.08m) after an extraordinary debit of £787,000).

The final dividend is unchanged at 2.95p net for a same-again total of 4.7p—dividends absorb £1.64m compared with £1.06m. Stated earnings per 25p share were down slightly from 17.4p to 17.1p before extraordinary items.

All-round improvement at Chemring

ALL OPERATING units in the Chemring Group traded satisfactorily in the start to 1985-86, resulting in pre-tax profits 70 per cent higher at £1.28m. During the six months the company acquired Pains-Wessex but Mr Ian Fairfield, chairman, said the results only partially reflected this.

Turnover in the six months to March 27, 1986 for this maker of protective clothing and electronic counter measures was £7.96m (£4.11m).

The result was in the middle of City expectations. After falling in early trading the shares recovered after the announcement to close 5p up at 575p.

Earnings per 5p share rose by 5.2p to 25.8p and the interim dividend is raised from 5p to 6p on capital increased by last December's £5m vendor placing and £8.4m rights issue.

Crest surges to £2.6m and acquisition benefits ahead

THE ENLARGED Crest Nicholson group continued its growth in the opening six months of 1985-86 and with the inclusion of C. H. Pearce looks for another good full year.

The six months to April 30 1986 saw group turnover rise from £60.47m to £62.27m and profits at the pre-tax level improve by £303,000 to £2.61m —Crest is a property developer, builder and manufacturer.

The interim dividend is being lifted from 1.5p to 1.75p net on the capital enlarged by the £17m cash call of last March. At that time the directors forecast a total dividend of 4.75p (4.15p) on the bigger capital.

Tax took £913,000 (£1.04m) and minorities a same-again £9,000. Earnings came through 0.42p ahead at 2.54p a share.

Extraordinary debits of £591,000 (nil) mainly reflected the merger last October with Pearce, also a house builder and property developer.

As in previous years there was an imbalance between the two halves of the year caused by the incidence of contract completion and the seasonal nature of much of the group's business.

The property division, as enlarged by the property and construction activities of the Pearce group, performed well and the integration of Pearce progressed according to plan.

The market for residential property remained buoyant with reservations achieved at a satisfactory rate with good margins.

A satisfactory supply of good quality land was secured to support further growth for 1987 and beyond.

The commercial and industrial division suffered from the effects of the wet and dull spring weather. However, the division is expected to recover and show an improved performance over the full year.

The directors said 1987 should benefit to an even greater extent from the merger with Pearce.

A satisfactory supply of good quality land was secured to support further growth for 1987 and beyond.

months of 1984-85 have been restated.

● comment

Given that Crest Nicholson's first half takes in the wet, wintry months which inhibit the building trade, these interim results give little indication as to the probable pace of business for the full financial year. Integrating Pearce with the rest of the group has proved to be a relatively painless process, although its contribution should be little more than the £3m or so it produced last year as an independent company. Nonetheless Pearce's contracting expertise should buoy Crest's house building division and the company is now contemplating diversification into East Anglia and into renovation projects in inner London. Given that the company's attempts at diversifying away from the core property-related interests have been, at best, lacklustre, it is scarcely surprising that house building and contracting will absorb most of the management's effort and energy in the future. Any future acquisitions will be directed towards this area, and Crest could even consider disposing of its peripheral divisions if the right offers come along. The City expects profits of £15m for the full year which, on yesterday's share price, down 9p to 163p, produces a prospective p/e of 12.5, appropriate for the short term.

Acquisitions boost BTP profits to over £4m

BOOSTED by the acquisition of both Isinglass Manufacturers and Dufay Bitumastic during the period, taxable profits of BTP, chemical manufacture and bulk storage group formerly known as British Tar Products, expanded to £4.3m for the year ended March 31 1986, from a £49.62m turnover.

A plying merger and acquisition accounting rules the comparative figures for 1984-85 were £4m and £38.7m respectively, although reported results were £2.5m and £29.12m.

Earnings per 10p share were 8.3p (7.62p) and against a forecast final dividend of 2.5p, directors are recommending 3p per share, lifting the total to 4.5p (3.5p). They explain that the increase was in view of the company's "excellent start to the current year and the strong financial position."

Mr Frank Buckley, chairman, said that the two acquisitions and continued growth in profits of the group's original core business had made last year an important phase in BTP's development.

He added that the integration of Isinglass was virtually complete and that there had been good progress on the rationalisation of Dufay, which should be completed by the second quarter of the current year.

After minority interests of £33,000, against £46,000, and extraordinary debits of £268,000 (nil), attributable profits for the year came through slightly ahead at £2.57m, compared with £2.46m. Dividends will absorb

Currencies halt progress at Ocean Wilsons

With its overseas results being adversely affected by the strength of sterling and the weakness of the dollar, pre-tax profits of Ocean Wilsons (Holdings) rose by only £171,000 to £4.89m in 1985.

In the previous year they rose from a depressed £2.72m to £4.72m.

Turnover for the past year slipped from £47.64m to £46.26m

Earnings amounted to 8.5p (8.03p) and a final dividend of 3p lifts the net total from 2.95p to 3.75p—a modest increase had been forecast. A scrip issue on a one-for-two basis is also proposed.

Net asset value per 20p share totalled 78p (83.52p), of which 38p (41.02p) derived from the UK and 40p (42.5p) from Brazil.

Continued progress at Superdrug

In the first quarter of the 1986-87 year Superdrug Stores opened 13 stores and saw its profits rise from £1.83m to £1.92m at the pre-tax level.

The directors said yesterday that the expansion programme was going ahead as planned—45 new stores were expected to open in the year.

Investment in the northern regional distribution centre, together with the purchase of a number of freehold sites for development, had led to cash outflows and a consequential change from interest received in 1985 to interest payable in the current year.

Following redevelopment a number of the freehold sites would be disposed of during 1986-87.

With increased productivity at the northern regional distribution centre the directors were confident that Superdrug would have a record year.

In the opening quarter (to May 31 1986) turnover pushed ahead from £35.47m to £44.06m, excluding VAT, and at the trading level profits showed a rise of 27 per cent at £2.06m—the group operates retail drug stores.

Net interest charges accounted for £159,000, compared with last time's credit of £187,000.

After tax of £749,000 (£687,000) attributable profits worked through at £1.17m, against a previous £1.14m.

With last year's full results (pre-tax profits were £1.62m ahead at £10.36m) the directors said the foundations had been laid for the group to increase its expansion programme right across the country with a view to doubling its size within four to five years.

THE PROPERTY MARKET

BY WILLIAM COCHRANE

IDB strategy for De Lorean site

DOWN THE drain—and back again? The De Lorean factory on the outskirts of Belfast, site of the failed sports car venture which cost the British taxpayer nearly £80m, is coming back to the development market this autumn.

It could lend itself to even more high adventure, this time in the form of an entertainment complex, a consultant to the Industrial Development Board of Northern Ireland said in London this week.

The IDB was in town to talk about industrial property in the province and the consultant, Ken Crothers of Milhench Crothers, one of the leading commercial estate agencies in the province, said that the general market situation was "extremely buoyant."

He described the 70-acre De Lorean complex, with over 600,000 sq ft of existing buildings, as one of his "most exciting" prospects.

In March 1986 the IDB invited proposals from consultants on development on disposal strategy and Milhench Crother's proposal was accepted. They are currently preparing a land use/development strategy for the project.

Mr Crothers expects the developers' brief to be published in August or September, thinks there is considerable scope for a trade and business park and expects real interest from major British developers and property companies.

He said that it is possible that a "fixed price" disposal will be favoured to encourage concept, design and investment. The IDB has experimented with this method, it thinks successfully, for a high specification, high technology, small unit park on six acres on the Adelaide Industrial Estate to the south of Belfast.

The price, said Mr Crothers, was fixed by a residual valuation which anticipated the probable costs and returns for the development. By implication, the price for a leisure park development on the De Lorean site would reflect the risks involved.

Meanwhile, the IDB has embarked upon its first technology park, at Antrim. John Hughes, parks co-ordinator for the board, calculated that there would be only 100,000 sq ft of development on the 81-acre site, much of which is given over to parkland, with the capacity to expand to 200,000 sq ft—and remain a very low density development.

The first 8,000 sq ft technology unit had already been let, he said, to BIS-Beecom for a software project offering 100 jobs. The location falls within the maximum industrial grant zone of the IDB.

The Board aims to develop five of the 12 building sites on the park on a speculative basis, leaving seven, it hopes, for companies to build their own premises on a "bespoke" basis.

Market newcomers diverge

STOCK MARKET newcomers Arlington Securities and Bredero were both well received; but Arlington, in mid week, was standing at 183p against a May offer for sale price of 115p, while Bredero at 162p was on a much more modest premium of 17p a share.

Market performance reflects recent news, and the companies' different characteristics. Arlington, the 'concept' stock, got planning consent this week for its 148 acre, 2.5m sq ft business park next to the National Exhibition Centre in Birmingham.

Bredero, on the other hand, was faced with a conservation order made by the new, Labour-controlled Hammersmith and Fulham borough council.

This means it will have to get permission, either from the council or Environment Secretary Nicholas Ridley, to demolish most of the buildings on its 6 acre site at Hammersmith Broadway, and go ahead with its £100m redevelopment.

Bredero is a town centre developer with a high development content—hence its stock market premium — and it has proved that it can wait many years to get the right development out of the ground.

Jointly with London Regional Transport this week, it noted that it had detailed planning and listed building consent for the site and confidently expected to start work next year.

Telecom out

BRITISH TELECOM has pulled out of Norwich Union's 74,500 sq ft Olympic House at Woking. Jones Lang Wootton and Mann & Co are putting the campus-style office development back on the market at £13 a sq ft.

Michael Dew of JLW said yesterday that Telecom management had decided to keep its Prestel operation in Central London, and that its decision "in no way reflects on the quality of the building."

Meanwhile, Hillier Parker in Scotland note that British Telecom, having acquired a lease on DCI's 80,000 sq ft Westergate building in the southern extension of Glasgow's prime office district, is asking £1½m plus for its 165,000 sq ft Marland House office building in George Street, also in Glasgow.

● National Leasing & Finance, asset-based financing arm of International City Holdings, is arranging the funding of the 90,000 sq ft Scandinavian Centre to be built in the West India Dock basin in the Isle of Dogs enterprise zone in London's Docklands.

● Building management notes:

From Swindon, Johnson Control Systems say that keeping building services costs down is now of paramount importance;

Drivers Jonas aim to cover the ground in their Office Strategy Review; and

The Scottish Development Agency's airborne thermographic survey could help save millions of pounds, says the SDA, in revealing heat loss from buildings across the country.

● Vigers are advising developers Presscord, of Burgess Hill, West Sussex, on a proposed £25m sports and leisure project at Junction 39 of the M1 at Wakefield in West Yorkshire.

● Alfred McAlpine launched its Chester Business Park this week. It aims to provide 650,000 sq ft of industrial and office space on a 135-acre site, planned around a nine-hole golf course, with other leisure facilities including tennis courts, fishing lakes and jogging trails.

● Knight Frank and Rutley, acting for Instituto Bancario San Paolo de Torino, claim the most expensive letting in Paris with Frs 3,000 per sq metre for 900 sq metres of office space in the Rue d'Anjou—a refurbishment by LET and Capital and Continental.

● Bristol City Council has given outline planning permission to BS Estates, advised by J. P. Sturge, for a 135,000 sq ft retail warehouse park at the Eastgate Centre close to Junction 2 of the M32 motorway.

● Jean-Marie Duquesne is joining Jones Lang Wootton as a European partner based in Paris. Mr Duquesne has had 15 years with the Paribas banking group.

Plans for St James's Trust

SCOTTISH Heritable Trust, the acquisitive industrial holding company backed by N. M. Rothschild and Cazenove, has centred its investment and development properties in St James's Development Trust, which will have a portfolio of £15m, mainly located in the south east, and an annual income of £1m plus.

According to Hugh Bryan, 35, formerly acquisitions manager of the Lesser Group and now director and general manager of St James's, this leaves the property subsidiary accounting for two thirds of SHT's net assets, and maybe a quarter of its profits.

Mr Bryan is not satisfied. What he wants is a development company — "buying to develop, to let and to sell" as he puts it. He is willing to sell half of his existing portfolio in pursuit of these aims and does not think that property should achieve a low return in relation to other parts of the SHT group.

He is already developing new retail warehouses on two sites at Luton and would expect to "buck the trend, a bit" in his future development choices. Small office schemes, and straightforward industrial sheds might have some charm.

With his feet on the ground, Mr Bryan is developing what he expects funds to buy — property packages in the £5m to £7m bracket.

Confident forecast by Hongkong Land

HONGKONG Land Property, a major landlord of prime office space in the colony, predicted this week that prime office occupancy rates in Hong Kong are going to stay high in the short-medium term.

At a local press briefing, joint managing director Andrew Denman said that the occupancy of grade A buildings throughout the colony is currently around 95 per cent. The corollary, a vacancy rate reported at around 6 per cent by local observers, is expected to stay at that level over the next two years.

Thereafter it could rise to 11 per cent in 1989, when office developments like the Bank of China headquarters, the Standard Chartered Bank building and the Victoria Barracks Site Two—all committed after the property market began to recover—come on stream.

The supply of prime office space in 1989 will amount to 4.9m sq ft compared with estimates of 2.66m sq ft for 1987 and 2.35m sq ft for 1988.

The company's new tower in the central area core, Three Exchange Square, is due to be completed at the end of 1987, along with Harcourt House in Wanchai. Jeremy Priestley, also a joint managing director of the company, said that the development of these buildings had been purposely speeded up in order to be the first batch of offices going into the market in 1988.

Mr Priestley also confirmed that Exchange Square, the company's flagship development, is currently a little over 80 per cent occupied, and that the development would be virtually fully occupied by the end of this year. Asking rental is currently HK$26 a sq ft and a majority of the tenants in Exchange Square are American financial companies.

Hongkong Land released at the same time a new report — "Cost Comparisons: World Financial Centres"—which says that the colony's occupation costs are the lowest of the world's principal financial centres.

The report compares prime office and expatriate residential rentals in Hong Kong, London, Tokyo, Peking, Shanghai and Guangzhou.

It says that the occupation cost of Grade A office space in Hong Kong's central business district core is HK$30.40 per sq ft including the associated costs of service charge and rates. The equivalent for London is HK$157.00, Tokyo, HK$54.70 and New York HK$43.40.

The report also indicates that Hong Kong ranks 41st in a cost of living survey. Tokyo, it says, is the most expensive place to live in, New York coming 14th on the list and London 44th.

Auctions

Investments For Sale

International Property

Contracts and Tenders

ALGERIE - الجزائـر

MINISTRY FOR ENERGY & CHEMICAL & PETROCHEMICAL INDUSTRIES
NATIONAL OIL EXPORTATION COMPANY
NOTICE OF INTERNATIONAL OPEN INVITATION TO TENDER
NUMBER 0656.1K/DIV

The National Oil Exploitation Company (E.N.T.P.) is launching an International open invitation to tender for:

—Inflammable Electrical Equipment
"RIG A LITE—APPLETON—GENERAL ELECTRIQUE"

This invitation to tender is intended for Manufacturing Companies only and excludes amalgamations, representatives of companies and any other intermediaries, in conformity with the provisions of the Law No. 78-02 of 11/02/78, with respect to State Monopoly on Foreign Trade.

Companies interested in bidding may obtain the Specifications from the following address:

Entreprise Nationale des Travaux aux Puits
16, Route de Meftah—Oued Smar, El-Harrach—ALGIERS/ALGERIA.

with payment of 400 Algerian Dinars, with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a double-sealed envelope, by registered mail, to the Secrétariat de la Direction des Approvisionnements at the above address.

The outer envelope should not bear any mark that might identify the tenderer, and should read "APPEL A LA CONCURRENCE INTERNATIONAL OUVERT NO. 0656.1K/DIV, CONFIDENTIEL A NE PAS OUVRIR."

The final date for receipt of tenders is fixed at 45 days from the first publication of this notice.

Tenderers shall be bound by their proposal for a period of 180 days with effect from the closing date of this notice.

anep/alger

GOVERNMENT OF INDIA
AIR HEADQUARTERS, INDIAN AIR FORCE
TENDER NOTICE

On behalf of the President of India, Director of Purchase, Air Headquarters, IAF invites sealed tenders on prescribed forms from manufacturers/stockists registered with MOD or on approved list of ISW London or Air HQ, India for supply of the following stores on FOB basis:

SL no.	Item	Tender no.	Tender opening date
1.	Binoculars	8625100	21 August 1986
2.	A/C Battery Secondary Lead Acid	8625045	21 August 1986
3.	A/C Instruments/Spares	8625015, 8625016, 8625022	21 August 1986
4.	Jaguar A/C		
	(a) Air Frame Spares	8625018	21 August 1986
	(b) Electrical Spares	8625081	21 August 1986
	(c) Dunlop/Dowty make Spares	8625082	21 August 1986
	(d) Ejection Seat Spares	8625083	21 August 1986
	(e) Air Frame Lubricants	8625084	21 August 1986
	(f) Flying Clothing	8625051	21 August 1986
5.	Canberra A/C Spares	8625010, 8625031, 8625073, 8625055	22 August 1986
6.	Hunter A/C Spares	8625034, 8625072	22 August 1986
7.	Canberra Actuator TY 231	8625054	22 August 1986
8.	Hand Held Cloud Base Measuring System	8625005	22 August 1986
9.	Turbonyc Oil 13B—For use in Alouette A/C	8625085	22 August 1986

Tender documents can be had from the office of the Director of Purchase, Air Headquarters, Vayu Bhavan, New Delhi-110011 (Telex No. 31-65622) on payment of £10 per tender by Demand Bank Draft payable to "CDA HQ NEW DELHI" on State Bank of India, New Delhi. Tenders will be opened at 14.30 hours on the due date in the presence of tenderers who attend. Sale of tender documents will close after 25 July 1986. Only those who can offer stores with AQAP1/3, AQAP4/2, AQAP3/2 or their DQAB equivalents or Release Notes (in the case of manufacturers) may seek tender documents. Copy of MOD approval authorising issues of inspection certificate for the range of Stores offered is essential; where stockists propose obtaining services of other agencies for inspection/quality assurance approval accorded to them by MOD must accompany tender documents. Tender offers will not be considered if they are late or if documents as prescribed are not enclosed. Past satisfactory supplies will not be accepted in lieu of the documents prescribed. Prices quoted should be lowest and firm.

CORRESPONDENCE/COMMUNICATION will be with this office in India directly.

Legal Notices

DUTCH CLOCKWORKS MANUFACTURING LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (2nd Floor), London W2 6LF, on Friday the 4th day of July, 1986, at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 18th day of June, 1986.
S. P. VAN HINTEM,
Director.

DIBA SHOWROOMS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (2nd Floor), London W2 6LF, on Tuesday the 8th day of July, 1986, at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 19th day of June, 1986.
G. DI BATTISTA,
Director.

AVIATION GROUND SUPPORT LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace, London W2 6LF, on Thursday the 10th day of July, 1986, at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 19th day of June, 1986.
N. MAPLING,
Director.

Clubs

Company Notices

BASS PLC
(Bass Charrington Limited)
7 1/2% FF 50,000,000 Bonds 1987

Notice is hereby given that, in accordance with the terms of the above-mentioned loan, Bonds for the principal amount of FF 11,450,000 have been drawn in the presence of a Notary Public on June 13, 1986 for redemption at par on August 1, 1986.
Principal amount of Bonds purchased by the Company: FF 550,000
The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourgeoise or to other Paying Agents named on the Bonds:

00002	00773	01289	02532	03949	04767	05389	05524	05966	06637	06772	07386	07826	08234	08768	09078	09505
00003	00774	01290	02533	04049	04768	05390	05525	05967	06638	06773	07395	07830	08243	08769	09079	09515
00004	00775	01291	02534	04050	04769	05391	05526	05968	06639	06774	07397	07834	08246	08770	09089	09523
00005	00776	01292	02535	04051	04770	05392	05527	05969	06640	06775	07401	07835	08247	08771	09094	09528
00006	00813	01312	02536	04052	04771	05393	05528	05970	06641	06776	07402	07836	08261	08772	09112	09539
00007	00814	01427	02537	04053	04772	05394	05529	05971	06642	06777	07406	07837	08262	08773	09114	09543
00008	00815	01428	02812	04054	04773	05395	05530	05972	06643	06778	07408	07838	08263	08774	09121	09545
00010	00816	01429	02813	04203	04774	05396	05531	05973	06644	06841	07409	07839	08264	08775	09125	09548
00018	00817	01469	02814	04204	04775	05397	05532	05974	06645	06842	07410	07840	08265	08776	09126	09549
00076	00818	01501	02815	04205	04776	05398	05533	05975	06646	06917	07411	07841	08270	08777	09127	09550
00077	00819	01502	02816	04206	04777	05399	05534	05976	06647	06918	07412	07842	08271	08781	09128	09551
00078	00820	01503	02817	04209	04778	05400	05535	05977	06648	06919	07435	07843	08272	08792	09129	09552
00081	00821	01504	02818	04210	04781	05401	05536	05978	06649	06920	07437	07844	08273	08811	09130	09553
00082	00822	01509	02819	04234	04782	05402	05537	05979	06650	06921	07438	07849	08274	08813	09131	09557
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
00751	01284	02528	03945	04763	05385	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
00754	01286	02529	03946	04764	05386	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
00755	01287	02530	03947	04765	05387	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
00757	01288	02531	03948	04766	05388	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Bonds surrendered for redemption should have attached the coupon due on August 1, 1987. Coupons due on August 1, 1986 should be detached and collected in the usual manner.
Amount outstanding: FF 10,000,000

Luxembourg, June 27, 1986

The Principal Paying Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

ENERGY INTERNATIONAL N.V.
(Incorporated with Limited Liability in the Netherlands Antilles)

Shareholders in the Fund are convened to attend the Annual General Meeting of shareholders to be held on Monday 21st July, 1986 at 10.00 a.m. at the registered office of the Fund at Pietermaai 15, Willemstad, Curaçao, Netherlands Antilles.

The items on the agenda are:
(1) Report and Accounts and proposal of a dividend of US$2.00 for the business year ended 31st March, 1986.
(2) Election of the Members of the Board of Management.

In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for the share certificates) mentioning their names, addresses and nationalities at the registered office of the Fund not later than 11th July, 1986.

By order of the Board of Management
Curaçao, 27th June, 1986.

PAN HOLDING S.A.
LUXEMBOURG

NOTICE IS HEREBY GIVEN that Pan Holding S.A., has declared a dividend of U.S.$2.60 per share of $50 for the year 1985 payable as from 1st July 1986.

The dividend will be payable against coupon No. 31 from Bearer shares of Pan Holding S.A., which may be presented to Midland Bank plc, Securities Department, International Division, 110-114 Cannon Street, London EC4N 6AA, for payment at the rate of exchange current on the date of payment.

Income Tax of 29% will be deducted, unless the coupons are accompanied by an Inland Revenue Affidavit.

BEECHAM GROUP p.l.c.
ANNUAL REPORT 1986

NOTICE IS HEREBY GIVEN that the Annual Report for the year ended March 31, 1986 was posted to shareholders and loan stockholders on June 27, 1986.

The Annual General Meeting is to be held at 12 noon on Monday, July 21, 1986 at the London Hilton, Park Lane, London W1.

By Order of the Board.
I. M. F. BALFOUR,
Secretary.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Registration Number 01/00429/06
(Incorporated in the Republic of South Africa)

GOLD MINING COMPANIES' DIVIDENDS

The following final dividends have been declared in respect of the financial year ending 30 June 1986

Companies Incorporated in the Republic of South Africa	Dividend number	RSA Cents per unit of stock or per share
Elsburg Gold Mining Company Limited Registration No. 65/10726/06	25	15.6
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited Registration No. 01/00251/06	102	1000
Western Areas Gold Mining Company Limited Registration No. 59/03209/06	41	24

Last date for registration	8 August 1986
Registers close (dates inclusive) from	9 August 1986
to	15 August 1986
Currency conversion date (for payments from London)	22 August 1986
Date of payment	5 September 1986

These dividends are payable subject to the customary conditions which may be inspected at or obtained from the companies' Johannesburg office or from the London Secretaries, Barnato Brothers, 99 Bishopsgate, London EC2M 3XE.

Holders of share warrants to bearer issued by The Randfontein Estates Gold Mining Company, Witwatersrand, Limited should attend to the terms *of a notice to be published by the London Secretaries late in August 1986.*

By order of the Boards
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries
per: D. J. Barrett

Head Office and Registered Office:
Consolidated Building
Fox and Harrison Streets
Johannesburg 2001
P.O. Box 590, Johannesburg

26 June, 1986

FT LAW REPORTS

Wife's shareholding does not entitle husband to petition for winding-up

IN RE MOSSMAIN LTD
Chancery Division: Mr Justice Hoffmann: June 19 1986

A HUSBAND cannot petition the court on the ground that a company's affairs are conducted in a manner unfairly prejudicial to members nor for a winding up if he has never held shares in the company and if, though it was agreed his wife's shares would be transferred to him at a future date, no such transfer has been executed.

Mr Justice Hoffmann so held when giving judgment for three directors of Mossmain Ltd on their motion to remove the name of Mr Frederico Gensale from a petition presented by Mr Gensale and his wife, Giuseppina, for the transfer of her shares in the company or for winding-up.

Section 459 of the Companies Act 1985 provides: "(1) A member of a company may apply to the court by petition for an order . . . on the ground that the company's affairs are being or have been conducted in a manner which is unfairly prejudicial to the interests of some part of the members . . . (2) The provisions of this Part apply to a person who is not a member of a company but to whom shares . . . have been transferred or transmitted by operation of law . . ."

HIS LORDSHIP said that Mr and Mrs Gensale petitioned under section 459 of the Companies Act 1985, or for winding up.

The petition alleged that in July 1983 Mr Gensale and the three respondent directors had agreed to form a company. Mossmain was acquired for that purpose.

It was alleged that it was expressly orally agreed that the three directors and Mr Gensale should participate equally in the running and profits of the company. Pursuant to that agreement Mrs Gensale was appointed a director and the share capital was divided equally between her and the other three directors.

Mr Gensale explained why his wife was made a shareholder and director instead of him. He said that he and the three directors had been employed in a company which ceased trading in 1983. They were in a position to pick up some of their former employer's customers. Because of a remote possibility that Mr Gensale would be contravening a restrictive covenant with a third party, it was agreed that until January 1986 his shares and directorship should be in his wife's name.

The petition alleged that the company was profitable and that profits were shared equally by way of salaries paid to the three directors and Mr Gensale, and directors' fees paid to the three directors and the wife.

Early in 1985 there began to be disagreements between Mr Gensale and the other three directors. After unsuccessful negotiations to purchase the wife's shares the directors purported to terminate Mr Gensale's employment on April 4 1985, and on July 9 his wife was removed as director.

The petition sought an order under section 461 of the Companies Act 1985 for the purchase of the wife's shares or alternatively a winding-up.

The present motion was to strike out the name of Mr Gensale on the ground that he had no *locus standi* to petition either under section 459 or for winding-up. For the purposes of the motion the court assumed the truth of the allegations in the petition.

Section 459 said that a petition might be presented by a member of a company. "Member" was defined in section 22 as the subscribers to the memorandum and, in subsection (2), as "every other person who agrees to become a member of the company and whose name is entered in its register of members."

Mr Gensale did not subscribe to the memorandum. If he agreed to become a member his name had never been entered in the register of members and he therefore did not satisfy the second limb. On the language of the statute he was not a member.

Section 459 (2) also conferred the right to present a petition on certain persons who were not members, to whom shares had been "transferred or transmitted by operation of law."

"Transferred" required at least that a proper instrument of transfer should have been executed and delivered to the transferee or the company in respect of the shares in question. It was not sufficient that there should be an agreement for transfer. That construction accorded with the view of Mr Justice Harman in *Re a Company No 007828 of 1985* [1986] 2 BCC 98,951.

Accordingly, Mr Gensale had no *locus standi* to present a petition under section 459.

The next question was whether he had *locus standi* to present a winding up petition. Such a petition might be presented by the company, a creditor, or a contributory (see section 519 (1)). Mr Gensale claimed to be a contributory.

A contributory was defined in section 507(1) as "every person liable to contribute to the assets of the company in the event of its being wound up . . ." Most contributories fell within section 502 which said that when a company was wound up "every present and past member" was liable to contribute to the extent of the amount unpaid on his shares.

It was clear on the authorities that section 502 was not exhaustive. Persons who had never been "members" as defined in section 22 could be contributories.

In *re JN2 Ltd* [1977] 3 All ER 1104 it was held that a person to whom shares had been allotted but who had never been included in the register of members was a contributory for the purposes of presenting a winding-up petition. In *Wheal Emily Mining Company (Cox's Case)* (1863) 4 De GJ & S 53 a promoter who had agreed to take shares but had procured their registration in the names of nominees, pursuant to a fraudulent scheme, was held to be a contributory.

The explanation for those cases was that the rights and liabilities of contributories originated in rules of equity as well as common law. If a person had entered into an agreement with a company that he would take shares and the company would register him as a member, equity regarded him as a contributory even though he had not in fact been registered.

There was no agreement between the company and Mr Gensale for the latter to become a shareholder which equity could treat as performed.

The court was therefore not satisfied that Mr Gensale was a contributory. It did not need to express a concluded view because not all contributories were entitled to petition for winding up.

Section 519(2) said that a contributory was (with an immaterial exception) not entitled to present a petition for winding up unless "the shares in respect of which he is a contributory . . . were originally allotted to him, or have been held by him and registered in his name for at least six months during the 18 months before commencement of the winding-up, or have devolved on him through the death of a former holder . . ."

Whether Mr Gensale was a contributory or not he had not been registered for six months or at all, and he had not taken his shares by devolution on death. He therefore could not present a petition unless the shares "were originally allotted to him."

Section 738(1) said that shares were "allotted" when a person acquired the unconditional right to be included in the company's register of members.

The petition made it clear that the agreement with the three directors and the company was to give the wife and not Mr Gensale the immediate right to be included in the register.

It followed that Mr Gensale had no *locus standi* to present a petition for winding up any more than under section 459 and his name must be struck out as a petitioner.

For the directors: Jonathan Crow (Bridgeman Morris, Bedford).
For Mr Gensale: Robin Hollington (Cowley Di Giorgio, Bedford).

By Rachel Davies
Barrister

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	145	136	‡Accord Publications 5p	145	+3	Rd3.1	2.6	3.0	18.3
¶§	F.P.	—	117	117	‡Airsprung Group 10p	117	.....	5.4	2.8	6.5	7.7
130	F.P.	30/6	151	138	Alumasc Group	148	+1	R5.85	2.5	5.6	10.2
115	F.P.	11/7	187	155	Arlington Sec. 10p	187	+4	b1.7	4.3	1.3	25.7
150	F.P.	20/6	161	148	Barker (Charles) 5p	153	+3	u3.0	3.1	2.8	16.7
§145	F.P.	—	158	150	‡Beaverco 5p	150	.....	u5.0	2.4	5.1	11.9
¶§	F.P.	—	53	50	Bertrams Inv. Tst.	50	.....	—	—	—	—
147	F.P.	4/7	140	130	Blick 5p	138	+1	R3.4	3.1	3.5	13.2
145	F.P.	25/7	175	160	Bredero Props	162	.....	R4.25	2.3	3.7	13.8
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	56	.....	bd2.82	2.1	7.1	7.8
§110	F.P.	18/7	115	103	‡C'bell & Armstrong 5p	103	−2	u3.91	1.9	5.3	13.1
§130	F.P.	4/7	167	150	‡Clarke Hooper 5p	151	.....	b2.3	2.9	2.2	22.7
§84	F.P.	—	91	85	‡Coated Electrodes 5p	86	−5	u3.9	1.6	6.4	13.4
§125	F.P.	6/6	138	123	Comb. Lease Fin. 50p	125	.....	L1.35	3.9	1.5	18.0
107	F.P.	27/6	131	113	Dalepak Foods 5p	128	.....	R2.3	3.2	2.5	17.4
§155	F.P.	6/6	232	172	‡Davies (D.Y.) 5p	214	.....	u3.4	2.7	2.2	23.1
§50	F.P.	11/6	62	50	‡Dean & Bowes 5p	62	.....	L2.5	1.5	5.7	16.7
§130	F.P.	6/6	151	133	‡Debtor 10p	138	+1	u4.0	2.7	4.1	13.0
§58	F.P.	4/7	64	59	Denistron Intl 5p	64	+1	u1.65	2.1	3.6	16.4
§39	F.P.	27/6	42	32	‡Eadie	38	−2	R1.75	2.0	6.5	9.2
120	F.P.	17/7	123	111	Evans Halshaw	120	.....	u3.38	3.1	6.8	7.9
140	F.P.	4/7	130	120	‡Fields (Mrs) Inc 50.05	120	.....	R04.5c	2.6	2.6	15.2
150	F.P.	25/6	155	150	Guthrie Corp	154	+1	u5.3	2.2	4.8	9.9
140	F.P.	20/6	150	141	Haggas (John) 10p	142	.....	ud3.0	3.2	3.0	14.7
§85	F.P.	—	93	90	‡Hodgson Hldgs 5p	91	.....	R2.13	2.3	3.3	16.5
104	F.P.	—	118	90	Jurys Hotel	104	+2	u3.75	2.1	5.1	11.5
145	F.P.	16/7	130	125	Lopex 5p	125	−3	R4.0	2.3	4.5	13.4
§¶	F.P.	—	62	49	Merlin Int'l Props	53	.....	a0.58	2.0	1.5	39.3
157	F.P.	26/6	157	145	‡Monotype Corpn 10p	153	.....	R4.4	1.6	4.1	15.2
165	F.P.	18/6	190	170	P-E International 10p	180	..	1.8	3.4	1.4	29.0
§100	F.P.	27/6	105	103	‡Savage Group 20p	104	.....	R3.0	2.5	4.1	13.8
§165	F.P.	—	184	178	‡Smallbone 10p	180	+2	u5.0	2.1	3.9	16.8
—	F.P.	—	43	43	Smith Newcourt War'ts.	43	.....	—	—	—	—
§40	F.P.	31/7	42	35	‡Soundtracs 5p	35	−2	b1.2	2.8	4.8	10.4
§95	F.P.	25/7	110	104	‡Task Force 5p	107	+3	R1.78	3.8	2.3	16.0
112	F.P.	8/8	121	116	Tenby 50p	116	−2	u4.0	2.6	4.9	9.0
§100	F.P.	23/6	102	91	‡Usher (Frank) 5p	93	.....	u4.5	1.9	6.8	11.1
§110	F.P.	26/6	152	123	‡Worcester 10p	151	−1	u3.91	2.2	3.6	14.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	5/8	11pm	4pm	Amari 8% Cum. Conv. Red. Pref.	5pm	+1
§97.947	£25	—	26¼	25¼	Bankers Inv. Tst. 10½% Deb. 2016	26	−⅛
§99.50	£10	28/8	9¼	9	Bristol Water 9.8% Red Deb '96	9	.....
§99.256	£30	29/8	30¼	27½	Brit. Alcan Aluminium 10¼% Deb. 2011	27½	−½
¶¶	F.P.	—	99½	97	Brit. Emp. Secs. 10¼% Deb. 2011	98	.....
§94.203	£25	31/10	25⅝	23¼	Brixton Est. 9.5% 1st Mort Deb 2026	24	.....
109.89	£40	29/8	40	37½	Estates & Gen. 11¼% 1st Deb 2018	37½	−½
§94.45	£30	31/10	30¼	29⅝	European Inv. Bank 9% Ln 2001	3¼	.....
‖	Nil	4/8	7½pm	5pm	Friendly Hotels 5% Conv. Cum Red. Pref.	5pm	.....
97.963	£25	24/10	25¼	20⅝	Gt. Portland 9½% 1st. Mort. Deb. 2016	20⅝	−¼
105.523	£25	21/8	26	20⅝	Land Securities 10% 1st. Mort. Deb 25	21	−⅛
§99.951	£40	14/7	42	37	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	37	−¼
§99.793	£25	24/9	24⅝	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	22	−¼
—	F.P.	—	100¼	99¾	Nationwide 9¼ 15/6/87	99⅞	.....
§97.50	F.P.	11/7	97⅝	96¼	Paribas Concorde Tst. 9.364% Deb. 1991	96¼	−¼
§99.623	£40	30/6	41¼	35⅞	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	35⅞	−⅛
§87.179	£30	26/9	30⅞	28½	Portugal 9% Ln. 2016	29¼	.....
§99.888	£40	1/8	44	39½	Queens Moat 10¼% 1st. Mort. Deb. 2020	39½	−¼
§105	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	45¼	−¼
§99.480	£25	18/7	31¼	24⅝	S.E. 10⅛% Mort. Deb. 2016	24⅝	−⅛
§99.50	£10	28/8	9¼	8	Sund. & S. Shields Wtr 9.8% Rd Db '96	8½	+½
§48.835	F.P.	15/8	48½	47⅞	Tesco 4% Uns Deep Dis Ln 2006	48¼	−⅛
¶¶	F.P.	—	125p	112c	Tomkins (F.H.) 5.6% Cum. Cnv. Red. Prf	124p	−1
99.073	£25	8/8	25¼	23⅛	Taps Est. 10¼% 1st. Mort. Deb. 2011/16	23½	+⅛
¶¶	F.P.	—	106p	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	105	.....
£100	£50	12/9	50¾	47½	Witan Inv. 8½% Deb 2016	47⅞	−⅛

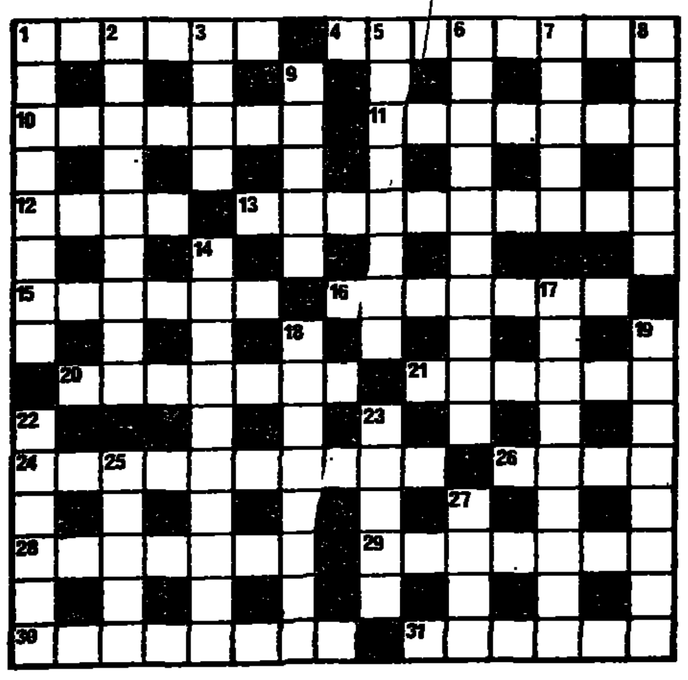
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
40	Nil	—	11pm	8pm	Anglo African Fin. 7½p	8pm	.....
470	Nil	—	200pm	112pm	Antofagasta Hldgs. £1	112pm	.....
55	Nil	—	¼pm	¼pm	Bertrams Inv. Tst.	¼pm	.....
110	F.P.	11/7	139	132	Britannia Arrow	138	.....
190	Nil	8/8	45pm	28pm	Clifford's Dairies	30pm	.....
170	Nil	8/8	27pm	22pm	Do A N/V	22pm	.....
880	Nil	—	140pm	135pm	De la Rue	140pm	.....
30	F.P.	18/7	41	34	Feedex Agricultural 10p	35	.....
47	Nil	15/8	11pm	8½pm	Five Oaks Inv.	8½pm	−½
300	F.P.	24/7	345	328	Gerrard & Natl.	330	+2
148	Nil	—	26pm	26pm	Ibstock Johnsen	26pm	−3
235	F.P.	18/7	263	240	Lep. Group 2p	240	−3
235	F.P.	11/7	262	247	McCarthy & Stone 20p	255	.....
45	F.P.	11/7	95	88	Molynx 20p	90	.....
200	F.P.	18/7	505	450	Nat West Bank £1	505	+13
18	F.P.	23/7	23	19	Ned & Spencer 10p	22	.....
50	Nil	—	12pm	10pm	‡Pineapple Dance Studios 0p	12pm	.....
£14	Nil	—	500pm	500pm	Priest Marians £1	500pm	.....
2	F.P.	15/7	4¼	2⅛	‡Property Trust 'A' 1p	4	−⅛
600	F.P	22/7	853	748	Prudential Corp	853	+8
½	Nil	11/7	2½pm	1¼pm	Rotaprint ⅛p	2½pm	.....
285	Nil	6/8	50pm	43pm	Scottish TV 10p	50pm	.....

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. n Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights". ‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,058

CINEPHILE



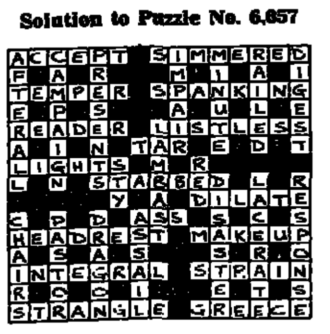
ACROSS

1 Vegetable without place gets currency (6)
4 Get either side of the street and use rouge (8)
10 Trade Unionist, perhaps, gets currency (7)
11 Sort of chemistry—nothing beat racing! (7)
12 Deserving people take it to skip (4)
13 A (male) potato without the "pomme" in French—died regardless? (10)
15 Rake outside car firm gets currency (6)
16 A priest, converted, gets currency (7)
20 Typical arrangement for bricks? (4-3)
21 Girl on a river gets currency (6)
24 Prediction: ends of line for stowage space (10)
26 Had a final encounter with Nancy's neighbour? (4)
28 Walk wearily in a river and go off (7)
29 Oil discovered after excursion in Libya (7)
30 Worthy sound of Scottish town gets currency (8)
31 Cuban acors or otherwise (6)

DOWN

1 Girl directors should take notice (8)
2 Song used by saint at religious observance (9)
3 Large, if a sum, in the sink? (4)
5 Although the tree is French, it will hold an oar (5-3)
6 For various reasons, gig provokes hostility (10)
7 Some strand in a rope gets currency (5)
8 Points to note after copper gets currency (6)
9 Was manager in football club that gets currency (5)
14 RADA? 'Allo Psycho? (4, 6)
17 Flattened like a barrel in the song? (6, 3)
18 "The Thinker," a stone rendering (8)
19 Hero of sea voyage (do you hear?) gets currency (8)
22 Sweet, as T is (6)
23 Crazy conclusion about Fate gets currency (5)
25 Nothing out of Europe gets currency (5)
27 Rail smash gets currency (4)

Solution to Puzzle No. 6,057



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)

Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	65.6	70.6	+0.2	1.6
Far East & Gen. Tst.	90.5	96.2	+0.3	1.0
Intl. Growth Tst.	67.7	72.1	+0.3	0.8
Income Tst.	80.7	86.8	+0.2	5.6
Japan Growth Tst.	110.8	119.7	+0.7	0.2
Small Cos. Tst.	116.2	125.0	-0.2	1.9
Technology Tst.	33.5	36.0	-0.2	0.2
Australian Trust	40.1	43.1	-0.2	1.8
UK Trust	127.4	135.6	+0.2	2.8
European Growth Tst.	48.3	51.4	+0.1	1.2
Hong Kong Tst.	20.4	21.7	-0.1	1.5

Waverley Asset Management Ltd (a) (c) (g)

13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.9	16.9		0.15
Pacific Basin	14.2	15.1		0.2
Canadian Balncd Grwth	61.9	66.1		0.95
Ginnie Mae	99.0	103.1		7.9

Cannon Assurance Ltd—Continued

Index	113.7	120.3	+0.3	—
Far East	165.3	174.9	+0.6	—
Global	95.0	100.5	+0.2	—
European	95.6	101.2	+0.1	—
Japan	99.4	105.2	+0.5	—
2nd Series Pension Accumulation				
Equity	489.6	518.1	+1.5	—
High Income	322.9	341.7	+1.3	—
Property	277.1	293.2		—
Managed	337.3	356.9	+1.9	—
Deposit	248.7	263.2		
Gilt	258.3	273.3	+1.4	—
American	394.0	416.9	+6.1	—
International Money	253.4	268.1	+0.8	—
Index	124.3	131.5	+0.3	—
Far East	178.4	188.8	+0.8	—
Global	95.1	100.6	+0.2	—
European	95.9	101.5	+0.2	—
Japan	100.7	106.6	+0.7	—

INSURANCE, OVERSEAS & MONEY FUNDS

Brown Shipley Fund Mgmt (CI) Ltd
PO Box 583, St Helier, Jersey 0534 74177

Sterling Bd(Int)(Daily)	11 13	11 52rd	—	9 46
Sterling Cap (Daily)	21 23	21 29	—	—
Intl Bond (Daily)	$13 44	14 19	—	6.27
Int Currency (Wed)	1 27	1.34	—	4.84

Butterfield Management Co Ltd
PO Box 195 Hamilton, Bermuda

Buttress Capital	$14 30		—	—
Buttress Equity Acc	$7 45	7 79	—	—
Buttress Inc Acc	$4 52	4 67	—	—

CAL Investments (IoM) Ltd
1b St Georges Street, Douglas, IoM 0624 20231

CAL C & C*	139 7	41 8	—
CAL Metals**	17 0	17 9	—

*Dealings Monday **Dealings daily

CAL Investments (Bermuda) Ltd
PO Box 1022 Hamilton, Bermuda (809-29) 55950
CAL Futures Fund ... 136 74 139 53 — —

Capital International
43 Boulevard Royal, Luxembourg
Capital Int. Fund ... $58.80 — —

Capital Preservation Fund Intl.
14 rue Aldringen, Luxembourg 1118
Cap Pres Fund ... $12 13 — $12.13

Cater Allen Investment Management (CI)
29a Broad St, St Helier, Jersey, CI 0534 76898

CA Dollar Inc Fd	$10 35	10 37		7 71
CA Gilt Eqy Fd	£13 79	13 8	-0 01	10 10

Charterhouse Bank
1 Paternoster Row, London EC4 01-248 4000

Emperor Fund	$14 62	15 36		0.51
Euro Global Inv Fd	$72.79	75.94		0.59

Charterhouse Fund Mngt. (C.I.) Ltd
Charterhouse Bldg. Bath St. Jersey 0534 79437
Central Assets Currency Funds Ltd

£ Sterling	£15 51		9 44
US$	$14 25		6 15
D Marks	DM48 11		3 32
Swiss Francs	SF41 26	+0.01	2 74
Fr Francs	FFr162 92	+0 03	6.70

Foreign & Colonial Management Ltd
1 Laurence Pountney Hill, London EC4 01-623 4680

F&C Atlantic June 18	$17 25	—
F&C European June 17	$24 23	—
F&C Oriental June 18	$44 77	—

Weekly dealings

14 Mulcaster Street, St Helier, Jersey 0534 27471
Foreign & Colonial Reserve Asset Fund

A-Short Term US$	$10.31rd	6 42
B-Short Term Multi-ncy	$12.68rd	7 20
C-Short Term £	£13 17rd	10 20
C-US$ Bonds	$12 61rd	7 29
D-Multi-ncy Bonds	$15 30rd	6 24
E-Sterling Bonds	£11.57rd	8 92
F-D Mark Bonds	DM10 47	5 04
G-Yen Bonds	Y1 057rd	5 73
H-Ecu Bonds	Ecu10 93	6.74
L-Sterling Equities	£10 00rd	4 50
M-US Equities	$11.55rd	5 91

Formosa Fund
c/o Hoare Govett Asia Ltd, Heron Hse 319-325 High Holborn WC1 01-404 0344
NAV NT$419 3 IDR value US$10.992

Framlington Overseas Fund Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481-26541

Far East Fund	£0 718	0 755		
Income & Growth	£0 679	0 714	+0 002	3 10
Managed Portfolio	£0 608	0 640	+0 002	0 4

Frankfurt Trust Investment—GmbH
Wiesenau 1, D-6000 Frankfurt

FT-Interzins	DM44 44	45 77	+0 02
Frankft. Effekt. Fd.	DM133 26	140 17	-0 27

Frobisher Fund Limited
PO Box HM1735, Hamilton, Bermuda 809 295 7347
NAV June 23 ... $5.26 5 55

GT Management (UK) Ltd
8th Floor, 8 Devonshire Sq, London EC2M 4YJ
Tel: 01-283 2575 Telex 886100
London Agents for:

Anch Gilt Edge (z)	£10 62	10 67	-0 02	15 17
Air r Int Fd June 24	$15 23	15.24	+0 12	0 48
Berry Pac Fd (z)		$18.24	+0 35	0 46
Berry Pac Strlg (z)	£14 12	14 847rd	+0 11	1 44
GT Appl Science Fd (z)		$16 13		0 06
GT Asia Fd (z)		$6 29	+0 03	0 64
GT Asia Sterling (z)	62 67	65 83		0 98
GT Australia Fd (z)		$27 52	-1 14	0 36

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

compounded annual rate. Int Cr. frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk.	44
BOC Grp	32	NEI	11
BSR	24	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	28	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect.	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons.	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs.	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props.	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	52	Burmah Oil	30
ICI	50	Charterhall	3
"Imps"	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

South Africa has little to fear from US-EEC uranium sanctions

BY STEFAN WAGSTYL

THE POSSIBILITY that the European Community might ban imports of South African uranium in a package of economic sanctions is unlikely to cause President Botha to lose much sleep.

For uranium accounts for only a small proportion of the country's exports — perhaps $300m out of total exports of $16bn last year.

Moreover, any ban would take years to bite, since it would most likely affect only new contracts in an industry in which producers and their customers (electricity concerns) are locked together in long-term agreements, running for five or 10 years.

South African production has in any case been falling in recent years in response to a steep decline in prices in the 1980s from a peak of more than $40 a pound for uranium oxide in the spot market to a low last year of $14.25. After a slight recovery uranium oxide is now trading at $17.25 a pound, according to Nuexco, the industry's monitoring body.

Production figures are a state secret. But it is estimated that South African production has fallen from 6.1m tonnes in 1980 to 4.8m tonnes last year. However, this reduction in prices and output has hardly been catastrophic *for the mining houses* because South African uranium is a by-product in the highly-profitable business of mining gold.

It follows then, that these companies could easily cope with the complete loss of their export markets, although one or *two marginal mines, such as* Harmony Gold Mines, would find their profits uncomfortably squeezed.

On the assumption that sanctions included Namibia as well as South Africa, Rossing, the Rio Tinto Zinc uranium mine which produced some 3.5m tonnes of metal last year, would be hit much harder by an EEC ban than the gold mines.

However, given time, the producers could almost certainly find alternative markets for the uranium now sold in Europe, which accounts for perhaps one-third of South African exports. One possibility would be to sell *more to Japan, which has significantly* been prepared to buy South African coal when some European countries have cancelled or cut back imports. So far, South African uranium producers have not had to offer the *"political discount" which* the country's coal miners have to concede, selling at about 15 per cent below the world market price.

This is not to say that the EEC is powerless to hurt the *South African uranium industry*. But the members are not contemplating one measure which could have an effect—*banning* the enrichment of South African uranium. Uranium has to be enriched before it can be used in PWR nuclear reactors, the most common type. Since an enrichment can produce military-grade uranium the process is tightly controlled by governments and there are just three bodies in the West commercially producing enriched material for power stations—*the US Department of Energy*, Urenco (an Anglo-Dutch-West German collaborative venture) and French-led Eurodif. So sanctions imposed by the US and EEC jointly could not be circumvented by sales to Japan *and others.* *South Africa* is developing its own (secret) enrichment plant but it seems unlikely that this would be large enough to take over all the processing carried out abroad.

Customers, holding large stockpiles for strategic reasons (two years' supply in the case of the British Central Electricity Generating Board) have held the whip hand. They would have little trouble in finding supplies to replace South African material should the need arise. Long-term contract prices—running at just over $30 a pound—are well above the spot market but they have slipped steadily.

Western world uranium production has fallen from 44m tonnes in 1980 to an estimated *35m tonnes last year, where it* is broadly in line with demand. High-cost US producers have borne the brunt while lower-cost Canadian and Australian rivals have expanded output.

However, the US companies are trying to fight back, taking their Department of Energy to court claiming that the DoE has neglected its legal duty to ensure the "viability" of the domestic uranium industry. Last week, the producers won an impressive interim victory when a District Court judge in Denver ruled that the enrichment plants could only take 25 per cent of their feed from non-US sources for the rest of this year and none at all thereafter. Currently the US imports about three-quarters of its uranium.

Although the DoE plans to appeal against the ruling, the decision has worried exporters, especially Canada. Moreover, even if the appeal is upheld the uncertainty caused by the action is likely to persist

President Reagan's administration has sofar rejected calls for protectionist legislation for the uranium industry. If he were forced by the courts to change his mind it would drive the Canadians to look for other markets and, inadvertently, cause more damage to South African producers than any sanctions the EEC might be planning to impose.

EEC pig deal keeps most members happy

BY TIM DICKSON IN BRUSSELS

"THERE WAS only one major loser, and that was Belgium." The morning after Argentina's *semi-final victory in the World* Cup anyone could be forgiven for thinking that this remark made in Brussels was about football.

In fact, the comment referred to complex new arrangements for cross-border European trade in pigmeat which were agreed late on Wednesday evening by experts from EEC member states meeting in Luxembourg.

The proposals, which are primarily designed to benefit France and Britain, represent a change in the method of calculation of pigmeat monetary compensatory amounts (MCAs). They will be formally adopted by Ministers early next week.

MCAs are a complicated system of import subsidies and export taxes designed to soften the impact on agricultural prices of currency movements between member states. In contrast to some commodities the Community's consumption of pigmeat (largely pork and bacon) is not far short of production—both are expected to be around 11m tonnes for 1986.

But there is considerable cross border trade within Europe where exchange rates can *significantly affect the competitive*ness of different countries' produce. Much of the trade is Danish and Dutch imports of bacon into Britain.

This week's tortuous negotiations on pigmeat MCAs followed the suspension of all MCAs for pigmeat, poultry and eggs at the time of the general farm price fixing package agreed by Community Agriculture Ministers in April. This was a concession won by Mr Francois Guillaume, the French Agriculture Minister, who was concerned about the impact on French pig farmers of the bigger negative MCA implied by the last devaluation of the French franc within the European Monetary System. (A negative MCA is effectively a levy charged on a weak currency nation to reduce the inherent advantage of that weak currency to its exporters; a positive MCA has precisely the opposite effect.)

The solution worked out in Luxembourg involves changing the basis of calculation for pigmeat MCAs from the EEC cereals intervention price to 35 per cent of the basic pigmeat price. The idea of using the cereals price (which itself was introduced ony at the beginning of 1985) was justified by the argument that pigs (being generally fed on the stuff) are no more than processed cereal.

Political expediency, however, now dictates that only 35 per cent of a pig is represented by cereal feeds, though this percentage has the convenient merit that when multiplied by the green rate (used to convert EEC agricultural prices into national currencies) the MCA levels suspended in April are achieved. France and Britain have in addition been allowed to devalue their green currencies by 3.1 per cent, which has the effect of completely eliminating France's negative MCA and reducing Britain's to minus 4.3 per cent.

The agreement, however, also accommodates the wishes of the two countries with positive MCAs—Germany and Holland—which would have lost out if the full implications of this new system had been put into effect. Under the compromise they have until next year been allowed to keep their MCA levels at the time of the April suspension.

The MCAs which will come into effect on July 1 are: Britain, −4.3 est; Italy, −1.5; Greece, −24.4; West Germany, +2.4; and the Netherlands, +2.4.

Working out winners and losers is to some extent a subjective exercise but in securing the same devaluation as the French, Britain has at the very least safeguarded its position. Danish bacon imports, for example, are likely to be less competitive.

The French will be relieved that Dutch imports are now less attractive than before the suspension. Only Belgium—the only nation to regret its vote against the compromise—is badly put out since it wanted MCAs to be abolished in return for concessions on negative MCAs.

More than one observer in Brussels yesterday pointed out that the agreement was a straightforward fudge designed to boost farm incomes by the back door.

Trade war anger in Manila

By Chris Sherwell in Manila

AGRICULTURAL export subsidies by the US and the EEC came under bitter attack yesterday from major developed and developing commodity-producer nations, at a meeting in Manila.

Canada, Australia, and New Zealand joined the six-member Association of South-East Asian Nations (Asean) in complaining about the damaging impact of EEC and American farm subsidy policies on world commodity prices.

The issue is "coming to the boil," Mr Joe Clark, Canada's Foreign Minister, said. Canada first raised the issue *internationally at the Tokyo* summit, when the top industrial countries backed an OECD study of agricultural subsidies.

But Mr Clark said yesterday the OECD study would take too *long. He added that* Ottawa was urgently considering commissioning a small team of international experts to define a common standard against which all countries' subsidy practices could be measured.

Mr George Shultz, the US Secretary of State, who this week repeated Washington's complaints about EEC farm subsidies supported Mr Clark's *idea.*

"We need to progress on this subject and keep the ball rolling," he said. There was no formal reaction from EEC representatives.

Thailand, the world's largest rice exporter, won the backing of Australia and Canada for a meeting of producers of non-subsidised commodities. Officials will meet *in Thailand next month,* and a ministerial-level gathering will take place in Australia in August.

"A number of us feel there is a need for action," Mr Bill Hayden, Australia's foreign minister, said. Mr Clark said Canada would be interested in considering participation in the initiative.

Lucy Kellaway on the 'netback' pricing system

Selling oil in a buyers' market

ONE OF the most important but least widely understood features in the oil market upheaval of the past year has been the growing popularity of "netback" pricing arrangements. While hastening the demise of Opec's official prices and so contributing to the world market collapse, this system has also made it even more difficult to discern real trends in prices.

Under a netback deal the *price a refiner pays* for crude oil is effectively the price he eventually receives for the refined products plus an agreed profit margin. In a falling market this is an attractive way for the refiner to buy oil as it eliminates *his exposure* to market risk altogether.

Saudi Arabia started exporting oil on a netback basis a year ago, and now sells almost its entire output in this way. Other producers have followed suit, *and netback pricing is now used* by Iran, Kuwait, Algeria, Iraq, Libya, Nigeria, the USSR and Venezuela. At least 6m barrels of crude change hands daily on netback terms, and some think the total may be much higher.

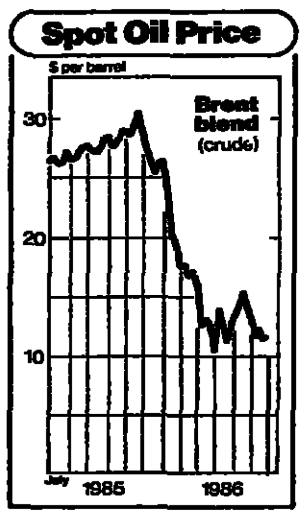
North Sea producers have remained aloof from the netback movement, however. This is partly because their markets are nearby so that buyers are not taking as much ofa price risk as the buyers of Opec crudes. Moreover, the major UK oil companies need to be able to show the tax authorities an unambiguous transfer price between their upstream and downstream operations. The Brent forward market can provide such a price, but with a netback deal the price would be more blurred.

Last summer, when Saudi Arabia decided to abandon its role as swing producer for the Organisation of Petroleum Exporting Countries, netback pricing offered the way to increase its market share by selling customers oil with a risk-free profit margin.

Saudi Arabia's output of oil last July had fallen to 2.2m barrels a day, but six months later it had more than doubled to 4.5m b/d.

According to Mr Don Millar, the general manager of British National Oil Corporation (Trading) until it was disbanded two years ago, the large quantities of netback crude coming onto the market last November were the direct cause of the dramatic fall in crude oil prices.

Spot Oil Price



He argues that netback pricing has injected instability into the market and could lead to a "self-perpetuating downward *price spiral.*" He says netback prices precipitated a sharp fall in spot prices. This in turn pushed Saudi Arabia recently to cut its netback prices by giving customers discounts of between 50c and $1.50 a barrel.

Netback sales have also had a downward influence on product prices. If refiners are guaranteed a margin, they have less incentive to cut their runs when product prices fall. Instead they continue to produce thereby exacerbating the initial oversupply on the market, and depressing product prices further.

Although the relationship between spot prices and netback *prices changes* all the time, netback prices should in general work out more expensive than purchases on the spot market, with the difference representing a risk premium. When refiners have the option of buying riskless netback oil they are unlikely to buy spot oil and take the risk that margins will be eroded or reversed unless it promises to prove significantly cheaper.

However, for short periods the relationship can reverse. Recently netback prices have fallen below the spot price, partly as a result of falling product prices and partly because of higher freight rates, resulting from increased shipments of Gulf crudes and the risks created by the Iran-Iraq war.

Arriving at a netback price involves a complex formula containing few standard elements, and therefore yielding a different price for each deal. Indeed two netback deals done at the same time and for the same type of crude may show variations of $2 a barrel or more.

There are about half a dozen variables in the netback formula, which no one except the buyer and seller will know. These include the product price references, the dates the prices are set (this is usually, but not always, the delivery date) and product yields from different refineries, the level of processing costs, and the basis for assessing the cost of freight.

Mr Millar argues that the producers have deliberately made netback prices impossible for outsiders to assess. He says that terms "are at best imprecise and at worst totally opaque to the outside observer."

Indeed, so impenetrable is the formula that the ability to calculate reliable netback prices is becoming a valuable skill. Petroleum Intelligence Weekly, the US oil newsletter has just published an "Encyclopedia of Netback and Formula Pricing Techniques," which is being sold at $325 a copy, which works out at $16.25 per page.

However, whether such documents remain an indispensable part of every oil man's library may depend on whether oil prices continue to oscillate as wildy as they have done so for this year.

As well as contributing to the instability of oil prices, netback deals have gained popularity as a direct result of that instability. But with the steadying of prices in recent weeks has come some evidence that the major consumers are reducing the proportion of the oil they buy netback. Some say *they do not like* the unwieldy and complex nature of netback deals, nor the fact that, unlike spot deals, they are term contracts with little flexibility on volume.

In the words of one oil company executive "netback prices have helped us out, but I think they'll disappear in more stable times."

LONDON MARKETS

HEAVY SELLING took cash higher grade copper sharply lower on the London Metal Exchange again yesterday. The £19 fall to £878.50 a tonne—a 3½ year low—brought the aggregate decline in the past three days to £58.50 a tonne. But the weakness did not extend to the three months position, which closed £1.25 higher at £921 a tonne. Dealers said there was a build-up of "lending" (selling cash and buying forward) as holders sought to unload certain brands of higher grade material which will not be deliverable against the Grade A contract when it becomes fully operational on July 1. On the coffee futures market values rallied somewhat following this week's sharp decline. The September position, which lost £189.50 a tonne in the first three days, closed £28 higher at £1,712.50 a tonne. But dealers said the underlying mood remained bearish and that the rally represented a technical reaction to the severity of the preceding fall.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	764-5	+3.5	765/764
3 months	760-1	+3.25	763/757

Official closing (am): Cash 764.5-5 (757-8), three months 759-60 (756-7), settlement 765 (758). Turnover: 22,450 tonnes.

COPPER

	Unofficial close	+ or −	High/low
Cash higher grade	878-9	−19	885/880
3 months	920.5-1.5	+1.25	928/920

Official closing (am): Cash 882-3 (901.5-2), three months 925-7 (926-6.5), settlement 883 (902).

Cash Cathodes	865-75	−14.5	—
3 months standard	890-900	−7.5	—

Official closing (am): Cash 870-80 (886-90), three months 895-905 (903-4), settlement 880 (890). US Producer prices: 66/71. Total turnover: 60,700 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	270-1	—	272/272
3 months	272-3	—	275/271

Official closing (am): Cash 271-2 (272-3.5), three months 273.5-4 (274-5), settlement 272 (273.5). Turnover: 12,675 tonnes. US Spot: 23/24 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2670-5	−10	2680/2680
3 months	2690-5	+2.5	2700/2690

Official closing (am): Cash 2680-5 (2680-5), three months 2695-7 (2690-2), settlement 2685 (2685). Turnover: 2,058 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.05 (14.11) ringgit per kg. Down 0.3 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	517-8	+5.5	516/515
3 months	524-4.5	+7.75	529/520

Official closing (am): Cash 515-5.5 (515.5-6), three months 521.5-2 (520.5-1), settlement 515.5 (516). Turnover: 12,000 tonnes. US Prime Western: 38.5/41.75 cents per lb.

GOLD

Gold rose $¾ an ounce from Wednesday's close in the London bullion market yesterday to finish at $344¾-345¼. The metal opened at $344¾-345 and traded between a high of $345¾-346¼ and a low of $343¾-344¼. Gold traded quite actively in contrast to the recent low level of activity. However there was no new factors behind the increase in volume.

GOLD BULLION (fine ounce) June 26

Close	$344¾-345¼	(£225¼-227¼)
Opening	$344¾-345	(£227¼-225¾)
M'n'g fix	$343.80	(£227.411)
Aft'n'n fix	$344.90	(£227.862)

GOLD AND PLATINUM COINS

Kr'g'r'nd	[illegible]	[illegible]
½ Krug.	[illegible]	[illegible]
¼ Krug.	[illegible]	[illegible]
1/10 Krug.	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$20 Eagle	[illegible]	[illegible]
NoblePlat	[illegible]	[illegible]

SILVER

Silver was fixed 2p an ounce lower for spot delivery in the London bullion market yesterday at 335.2p. US cent equivalents of the fixing levels were: spot 507.5c, down 3.5c; three-month 515.8c, down 3.65c; six-month 524.25c, down 3.75c; and 12-month 541.5c, down 4.05c. The metal opened at 336¾-338p (510-512c) and closed at 333-334½p (506-508c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	335.20p	−2.00	332p	[illegible]
3 months	343.95p	−2.10	340p	[illegible]
6 months	350.60p	−2.05	—	
12 months	366.15p	−1.85	—	

LME—Turnover: 5 (2) lots of 10,000 ounces. Cash high 331.5p, low 331p; three months high 339.5p, low 338p.

MEAT

Pigmeat sales: 7 (80) lots of 50 carcases, 3,250 kg. Beef sales: Nil (nil) lots of 20 sides.

PIGMEAT Month	Y'day's close	+ or −	BEEF Y'day's close	+ or −
July	101.60	−0.20	101.50	−3.50
Aug	101.70	—	105.50	−1.00
Sept	107.40	—	106.50	+1.00

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 100.29p per kg lw (−1.03). GB—Sheep 153.01p per kg est dcw (−25.98). GB—Pigs 76.04p per kg lw (+0.48).

Pigmeat prices closed unchanged in dull trading conditions, reports Eastern Capital—CCST.

INDICES

REUTERS

June 26	June 25	M'th ago	Year ago
1459.9	1461.8	1756.9	1769.3

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	June 25	June 24	Month ago	Year ago
Spot	127.33	127.04	—	118.62
Fut.	118.11	113.67	—	116.59

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	June 26 1986	+ or −	Month ago
METALS			
Aluminium	[illegible]		[illegible]
Free Market	[illegible]	+5	[illegible]
Copper			
Cash h Grade	£878.5	−19	£945.5
3 mths	£921	+1.25	£960.25
Gold Troy oz	$345	+0.75	$343.5
Lead Cash	£270.5		£287
3 mths	£272.5		£271.75
Nickel	[illegible]		[illegible]
Free Mkt	[illegible]		[illegible]
Palladium oz	[illegible]		[illegible]
Platinum oz	[illegible]		[illegible]
Quicksilver†	[illegible]		[illegible]
Silver troy oz	335.20p	−2.00	[illegible]
3 mths	342.95p	−2.10	[illegible]
Tin	—		—
Free mkt	[illegible]		[illegible]
Tungsten	[illegible]		[illegible]
Wolfram 22.04lb	[illegible]		[illegible]
Zinc	£517.5	+5.5	[illegible]
3 mths	£524.25	+7.75	[illegible]
Producers	$840		$750
OILS			
Coconut (Phil)	[illegible]		[illegible]
Palm Malayan	[illegible]		[illegible]
Copra Phil	$160u		$165
Soyabean (U.S.)	$153y		$154
GRAINS			
Barley Fut. Sept	£98.35	−0.20	£98.00
Maize	£134.00		£139.00
Wheat Fut. Sept	£99.55	−0.15	£99.95
No. 2 Hard Wint.	—		—
OTHERS			
Cocoa Ft. Sept	£1293	+5.5	£1578
Coffee Ft. Sept	£1712.5	+28	£1873.5
Cotton A Ind.	40.40c	−0.4	44.30c
Gas Oil Aug	$116.25	+1.5	$125
Rubber (kilo)	58.50p	−0.5	59p
Sugar (raw)	$143y	−0.5	$157
Woltops 64s	411p kilo	−4	428p kilo

‡ Unquoted. † Per 75-lb flask. c Cents per pound. x July. u June-July. y July-August. z Aug. * Cotton Outlook.

COCOA

Futures again languished in a narrow and uninteresting trading range but closing levels were at the highs of the day. Physical interest was sparse and only light second-hand business was noted, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]

Sales: 2,248 (2,633) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for June 26: 86.20 (85.55); five-day average for June 27: 85.48 (85.29).

COFFEE

Trading was dominated by switch and house cross trade activity. After opening as due £10 lower, trade buying slowly lifted levels up to £45 above Wednesday's close. The buying appeared to be against physical interest and by old-covering in the trade and commission house selling prevented the market under pressure for the rest of the day, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]

Sales: 8,281 (6,821) lots of 5 tonnes. ICO indicator prices (US cents per pound) for June 25: Comp. daily 1979 139.59 (143.80); 15-day average 152.23 (153.44).

SOYABEAN MEAL

Prices moved lower on commercial selling but were supported by continued consumer buying, reports Muirpace.

	Yesterday's Close	+ or −	Business Done
	£ per tonne		
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]

Sales: 335 (165) lots of 20 tonnes.

GRAINS

July wheat steadied initially on shipper short-covering before retreating on speculative selling. New crop firmed sharply on shipper buying reflecting renewed export trade, although commission house selling prevented the market advancing further, reports T. G. Roddick.

	WHEAT Yesterday's close	+ or −	BARLEY Yesterday's close	+ or −
July	113.75	[illegible]	—	
Sept	99.65	[illegible]	98.35	[illegible]
Nov	102.55	[illegible]	101.75	[illegible]
Jan	105.55	[illegible]	104.50	[illegible]
Mar	107.95	[illegible]	107.15	[illegible]
May	109.90	[illegible]	109.80	[illegible]

Business done—Wheat: July 113.50-2.75, Sept 99.70-9.50, Nov 102.55-2.15, Jan 105.60-5.20, March 107.95, May 109.80. Sales: 272 lots of 100 tonnes. Barley: Sept 98.35-8.15, Nov 101.80-1.75, Jan 104.60, March 107.20-7.15, May 109.85-9.75. Sales: 53 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no. 1 15 per cent July 98.00, Aug 98.00, Sep 99.75 sellers transhipment east coast. US no. 2 soft red winter Jul 90.75, Aug 88.75, Sep 90.50 sellers. EEC Jun 123.00. English feed fob Jun 114 buyer, Sep 101.00/102.00 buyer/seller, Oct 104.00 buyer, Oct/Dec 106.75/106.50, Jan/Mar 110.75/111.50 buyer sellers. Maize US no. 3 yellow/French transhipment east coast Jun 134.00. Barley: English feed fob Jul/Aug 99.50 buyer, Aug 99.00/100.00 buyer/seller, Sep 101.00 buyer, Oct/Dec 108.50/107.00, Jan/Mar 111.50/112.50 buyer/seller.

HGCA—Locational ex-farm spot prices. Feed Barley: S. East 112.40, N. West 117.70. The UK monetary coefficient for June 30 will be unchanged and from July 1 the coefficient is expected to change to 1.089.

RUBBER

PHYSICALS — The London market opened slightly higher, attracted little interest at the higher levels and closed easier, reports Lewis and Peat. Closing prices (buyers): Spot 58.50p (59.00p); Aug 58.00p (57.50p); Sept 58.00p (57.75p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No. 1 189.0 (208.0) and SMR 20 182.5 (189.0).

FUTURES—Index: 590, July 580-585, Aug 578-583, Sept 578-581, July-Sept 579-583, Oct-Dec 573-578, Jan-March 582-587, April-June 595-600, July-Sept 597-602. Sales: Nil.

US MARKETS

FOLLOWING RECENT POOR technical performances the New York sugar and coffee markets staged a reasonable rally, which some traders saw as confirmation of the oversold condition of both markets in the previous few sessions, reports Heinold Commodities.

Following what nearly proved a key reversal in sugar on Wednesday, October prices gained 22 points on short-covering operations, mainly by commission houses fearing a technical rebound, with rumours of an imminent pick-up in physical offtake fuelling precautionary buying. Coffee rebounded in the leading July and September positions, which lost more heavily on Wednesday due to the absence of limits, but significantly the December position still lost half a cent, confirming many analysts bearish attitude in the continuing absence of supportive fundamentals. The lack of constructive news from the second day of Opec talks did little to inspire a cautious oil market, where September crude slipped below $13 on tired liquidation. The gold market fell slightly as the positive move of the previous sessions seemed to lose some of its impetus.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
June	52.00	—	—	51.90
July	52.10	52.20	52.00	52.00
Aug	52.50	—	—	52.20
Sept	52.80	52.95	52.60	52.60
Dec	53.50	53.45	53.30	53.00
Jan	53.65	—	—	53.20
March	53.80	—	—	53.40
May	54.15	—	—	53.60
July	54.35	—	—	53.60
Sept	54.60	—	—	53.75

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1706	1712	1682	1695
Sept	1770	1774	1753	1759
Dec	1825	1827	1813	1819
March	1869	1870	1852	1860
May	1895	1899	1889	1893
July	1915	—	—	1916
Sept	1955	1940	1940	1943

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
July	167.05	168.50	163.00	163.00
Sept	170.76	171.25	167.25	168.50
Dec	174.75	175.70	171.75	173.38
March	179.00	177.40	174.50	177.00
May	179.40	179.00	177.00	179.38
July	181.00	—	—	184.00
Sept	182.00	—	—	185.00

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
June	61.25	—	—	60.90
July	61.25	61.50	60.85	61.00
Aug	61.50	—	—	61.20
Sept	61.70	61.85	61.00	61.35
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	—	—	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
August	13.19	13.47	13.05	13.26
Sept	12.98	13.24	12.86	13.05
Oct	12.95	13.20	12.85	13.04
Nov	13.00	13.20	13.00	13.09
Dec	13.07	13.30	13.05	13.13
Jan	13.10	13.35	13.05	13.17
Feb	13.10	13.30	13.10	13.17
March	13.08	13.50	13.08	13.15
April	13.08	13.40	13.40	13.13
May	13.15	—	—	13.11

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	344.6	346.5	344.5	345.0
July	345.2	—	—	345.7
Aug	346.6	347.8	346.4	347.1
Oct	349.0	350.3	348.4	350.1
Dec	352.3	354.0	352.0	353.2
Feb	355.5	357.0	356.0	356.5
April	358.8	359.8	359.0	359.5
June	362.3	—	—	363.3
Aug	366.0	—	—	367.1
Oct	369.5	370.5	370.5	370.8
Dec	374.0	374.8	374.5	374.8
Feb	377.8	378.0	378.0	378.7
April	381.8	381.5	381.5	382.0

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
July	37.50	38.50	37.40	37.51
August	38.00	39.00	37.85	38.17
Sept	38.50	39.90	38.86	39.07
Oct	39.85	40.80	39.70	40.05
Nov	40.50	41.60	40.75	40.75
Dec	41.50	42.30	41.30	41.47
Jan	41.60	42.55	41.85	41.97
Feb	41.55	42.35	42.55	42.07
March	40.00	40.90	40.00	40.92
April	38.90	—	—	37.57

ORANGE JUICE 15,000 lbs, cents/lbs

	Close	High	Low	Prev
July	101.15	101.75	100.60	101.95
Sept	102.95	103.60	102.60	103.65
Nov	104.90	105.00	104.75	105.40
Jan	106.70	107.10	106.45	107.20
March	107.35	108.25	107.00	108.25
May	109.25	—	—	109.25
July	109.00	—	—	110.15
Sept	109.85	—	—	111.05

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	439.0	440.0	438.0	440.2
Oct	444.2	446.0	443.5	445.7
Jan	447.4	448.5	445.8	449.0
April	450.5	451.5	451.8	452.1
July	454.0	—	—	455.6

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	504.5	508.5	504.5	510.5
July	505.0	508.5	504.5	511.0
Aug	508.0	—	—	514.0
Sept	511.1	515.0	510.0	517.1
Dec	520.1	525.0	520.0	526.1
Jan	523.1	—	—	529.1
March	528.8	532.0	529.0	534.8
May	534.7	—	—	540.7
July	540.7	545.0	543.0	546.7
Sept	547.2	552.0	550.0	553.2

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
July	6.09	6.12	5.90	5.91
Sept	6.30	6.25	6.00	6.07
Oct	6.56	6.58	6.33	6.21
Jan	6.72	6.72	6.62	6.62
March	7.11	7.13	6.82	6.92
May	7.31	7.32	7.15	7.09
July	7.47	7.46	7.31	7.23
Sept	7.67	—	—	7.43
Oct	7.65	7.65	7.56	7.49

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	57.55	57.90	57.10	57.82
Oct	56.27	56.62	55.80	56.56
Dec	56.62	56.97	56.20	56.95
Feb	55.15	55.50	54.70	55.50
April	56.60	57.20	56.25	56.97
June	57.05	57.25	56.60	57.45

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	59.30	59.30	58.97	57.80
August	55.56	55.56	54.05	54.06
Oct	49.45	49.45	49.42	47.95
Dec	50.17	50.17	50.17	48.67
Feb	48.80	48.80	48.80	47.30
April	44.72	44.72	44.72	43.22
June	46.25	46.67	46.00	45.17
July	46.65	45.66	45.00	44.15

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	224.2	227.0	224.0	227.2
Sept	188.0	191.2	187.6	189.6
Dec	183.4	185.4	182.6	184.2
March	194.2	196.0	194.0	195.6
May	199.4	200.0	198.4	199.6
July	199.4	201.2	199.4	198.6
Sept	196.2	196.0	194.4	194.2

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	80.12	80.12	80.12	78.12
August	76.45	76.45	76.45	74.45
Feb	69.55	69.55	69.55	67.55
March	68.45	68.45	68.45	66.45
May	69.75	69.75	68.75	67.75
July	69.90	70.65	69.90	68.05

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	521.2	524.6	521.0	524.0
Aug	511.2	513.6	511.0	512.4
Sept	497.4	501.0	497.4	499.2
Nov	490.2	493.2	489.0	492.0
Jan	502.0	505.4	501.4	502.4
March	511.0	514.0	510.4	511.6
May	517.6	520.4	516.0	518.0
July	519.4	521.4	518.2	519.4
Aug	516.4	518.0	515.4	517.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	147.3	148.2	147.0	147.3
August	144.5	145.2	144.1	144.4
Sept	142.0	142.7	141.7	142.3
Oct	139.5	140.0	139.3	139.9
Dec	142.4	143.2	141.5	142.2
Jan	143.5	144.4	142.8	143.3
March	146.0	147.0	146.0	146.2
May	147.8	148.6	147.6	148.2
July	150.2	150.5	150.0	151.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	16.63	16.81	16.63	16.78
August	16.80	16.97	15.80	15.93
Sept	16.91	17.09	16.91	17.05
Oct	16.96	17.15	16.96	17.09
Dec	17.22	17.37	17.21	17.41
Jan	17.45	17.62	17.45	17.60
March	17.76	17.76	17.75	17.98
May	18.20	18.25	18.20	18.25
July	18.38	18.40	18.30	18.42

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	256.4	260.0	253.4	253.4
Sept	252.0	255.4	250.4	251.0
Dec	258.0	257.6	253.6	253.6
March	254.6	255.0	253.6	254.4
May	244.0	246.0	243.6	243.4
July	231.0	232.4	231.0	231.4

SPOT PRICES—Chicago loose lard 12.00 (same) cents per pound. Handy and Harman silver bullion 506.0 (509.0) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $143.00 (£94.50), down 50c (unchanged) a tonne for July-August delivery. White sugar $173.50, down $1.00.

No. 6 Con-tract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Sales: 2,416 (3,716) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £198.00 (£197.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for June 25: Daily price 5.67 (5.82); 15-day average 6.29 (6.36).

PARIS—(FFr per tonne): Aug 1230/1295, Oct 1230/1275, Dec 1260/1300, March 1325/1355, May 1365/1395, Aug 1435/1460.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	[illegible]

Turnover: 808 (320).

	Close	High/Low	Prev.
Tankers			
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
BTI	[illegible]	[illegible]	[illegible]

Turnover: 43 (28).

POTATOES

Carry-through buying, encouraged by fine weather and further talk of reduced acreage and poor root development, was responsible for the rise in early dealings. Short-covering and stop-loss triggers kept the market steady, and the closing tone was very strong with a good volume of trade, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Sales: 2,046 (888) lots of 40 tonnes. Earlies—July 79.00, —7.00, 84.00; Aug 67.50, —4.00; Sept 60.00, —2.50. Sales: 12 lots of 10 tonnes.

OIL

In the petroleum products market gas oil prices remained unchanged in thin trade. Naphtha trade ground to a halt and gasoline struggled with tight supplies. Fuel oil was quiet with little prompt oil and little spot trade. Crude oil trading was very thin, but bullish remarks by Sheikh Yamani led to a firmer prices for forward Brent and gains of around 10c. A more balanced physical position for July generated a sale of mid-July Forties at $11.60 for a gain of 50c over Tuesday. Nymex WTI for August opened 20c up but lost this gain by 1.30 pm EDT—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Jul		
Arab Light	—	—
Arab Heavy	—	—
Dubai	9.95-10.05	+0.05
Brent Blend	11.40-11.55	+0.05
W.T.I. (1 pm est)	12.80-12.85*	[illegible]
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	156-158	—
Gas Oil	107-109	—
Heavy fuel oil	—	—
Naphtha	111-113	—

*August. —Petroleum Argus, London.

GAS OIL FUTURES

Month	Yesterday's Close	+ or −	Business Done
	$ US per tonne		
July	113.50	[illegible]	[illegible]
Aug	116.25	[illegible]	[illegible]
Sept	118.50	[illegible]	[illegible]
Oct	122.25	[illegible]	[illegible]
Nov	124.50	[illegible]	[illegible]
Dec	126.50	[illegible]	[illegible]
Jan	127.00	+2.00	—

Turnover: 3,252 (3,884) lots of 100 tonnes.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stays in narrow range

The dollar stayed within its recent trading range yesterday with volume well below recent levels. There was a reluctance to take out fresh positions ahead of the month, quarter and half year. This combined with a rather nervous picture building up ahead of Japan's general election on July 6 and central banks' apparent resolve to prevent a sharp dollar decline before this date.

A reluctance to push the dollar down was in stark contrast to the underlying bearish sentiment surrounding the US unit. Hopes of a cut in the US discount rate next month have been rising as part of another concerted cut in rates. Despite denials by Japanese officials, there was speculation that the Japanese discount rate would be cut after the election, following very disappointing first quarter GNP figures.

The dollar closed at DM 2.2215 from DM 2.2160, having touched a low of DM 2.2130. Against the yen it finished at Y166.0, unchanged from Wednesday and the level at which the Bank of Japan was probably intervening on Wednesday in Tokyo. Elsewhere it closed at SFr 1.8195 from SFr 1.8175 and FFr 7.0825 compared with FFr 7.0650. On Bank of England figures, the dollar's exchange rate index rose to 115.5 from 115.0.

£ IN NEW YORK

June 26	Latest	Prev. close
£ Spot	$1.5180-1.5190	$1.5140-1.5150
1 month	0.38-0.37pm	0.38-0.37pm
3 months	1.10-1.05pm	1.04-1.02pm
12 months	3.60-3.50pm	3.57-3.52pm

Forward premiums and discounts apply to the US dollar

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. May average 1.5202. Exchange rate index closed at 76.0 after opening at 75.9 and compared with 76.1 on Wednesday. The six months ago figure was 77.9.

The pound finished above the day's lows, unaffected by a £666m trade deficit in May and a current account surplus of £34m. These were much in line with expectations. The Opec meeting failed to have much effect. The pound rose to $1.5195 from $1.5170 and DM 3.3750 compared with DM 3.3625. Elsewhere it rose to Y252.25 from $251.75 and FFr 10.7625 from FFr 10.7175.

DEUTSCHE MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 135.1 against 130.6 six months ago.

The Deutsche Mark was a little lower in Frankfurt yesterday as the dollar benefited from largely technical demand ahead of the quarter and half year end. Trading was extremely quiet and uneventful with the dollar closing at DM 2.2230, up from DM 2.2105 on Wednesday. Earlier in the day it had been fixed at DM 2.2196 without any intervention by the Bundesbank. Despite a bearish undertone, the dollar was supported by fears that central banks would intervene to prevent another weaker trend.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. May average 167.01. Exchange rate index 207.0 against 177.2 six months ago.

The yen showed very little change in Tokyo yesterday with the Bank of Japan probably intervening to prevent a fall in the dollar. Japanese authorities will be keen to try to retain some sort of stability in the run-up to elections on July 6 and in the absence of any other factors, central bank intervention on a modest scale was sufficient to deter dollar sales. There had been a large sell order in early trading and intervention may have occurred when the dollar hit a low of Y166.0. Quarter and half year end technicalities were also a factor. The dollar closed at Y166.10 compared with Y166.40 in New York and Y166.45 in Tokyo on Wednesday.

POUND SPOT—FORWARD AGAINST POUND

June 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5080-1.5200	1.5190-1.5200	0.39-0.36c pm	2.96	1.08-1.03pm	2.78
Canada	2.0890-2.1182	2.1153-2.1183	0.29-0.19c pm	1.36	0.59-0.43pm	0.96
Nethlnd.	3.77¾-3.80½	3.80-3.81	1⅛-1c pm	3.55	3⅞-3⅝pm	3.61
Belgium	68.56-69.10	69.00-69.10	20-14c pm	2.95	46-40pm	2.58
Denmark	12.44½-12.53	12.52-12.53	2⅝-1⅞ore pm	2.22	4⅝-3⅝pm	1.16
Ireland	1.1100-1.1185	1.1155-1.1165	0.08-par p pm	0.43	0.15-par pm	0.27
W. Ger.	3.35-3.38	3.37-3.38	1⅝-1⅜pf pm	5.23	4⅝-4⅜pm	5.04
Portugal	227.10-229.82	228.15-229.80	92-248c dis	−8.91	253-752dis	−8.78
Spain	214.94-216.76	216.46-216.76	74-181c dis	−7.06	157-310dis	−4.31
Italy	2301¼-2319½	2316½-2317½	3-8 lire dis	−2.85	9-15dis	−2.16
Norway	11.43¾-11.50½	11.49½-11.50½	3⅞-4⅞ore dis	−4.37	12-13⅞dis	−4.37
France	10.69¾-10.77¾	10.75¾-10.76¾	2⅝-2⅛c pm	2.65	6⅝-6pm	2.36
Sweden	10.83-10.90½	10.89½-10.90½	⅞-1⅞ore dis	−0.76	1-2⅛dis	−0.57
Japan	250¼-252¾	251½-252½	1⅝-1y pm	5.65	3⅝-3pm	5.05
Austria	23.60-23.72	23.69-23.72	10⅞-8⅝gro pm	5.13	28⅝-25⅝pm	4.57
Switz.	2.74¾-2.77	2.76-2.77	1-⅞c pm	3.80	3-2⅞pm	4.16

Belgian rate is for convertible francs. Financial franc not available. Six-month forward dollar 1.99-1.92c pm, 12-month 3.55-3.46c pm.

CURRENCY MOVEMENTS

June 26	Bank of England Index	Morgan Guaranty Change %
Sterling	76.0	n/a
U.S. dollar	115.5	"
Canadian dollar	78.3	"
Austrian schilling	136.5	"
Belgian franc	95.4	"
Danish Kroner	85.9	"
Deutsche mark	135.1	"
Swiss franc	160.6	"
Guilder	125.2	"
French franc	69.1	"
Lira	46.2	"
Yen	207.0	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5080-1.5200	1.5190-1.5200	0.39-0.36c pm	2.96	1.08-1.03 pm	2.78
Ireland†	1.3565-1.3641	1.3575-1.3585	0.30-0.23c pm	2.34	0.90-0.65pm	2.28
Canada	1.3885-1.3940	1.3930-1.3940	0.17-0.20c dis	−1.60	0.61-0.66dis	−1.83
Nethlnd.	2.4975-2.5080	2.5025-2.5035	0.16-0.11c pm	0.65	0.54-0.49pm	0.82
Belgium	45.29-45.50	45.40-45.50	1pm-1c dis	—	par-4dis	−0.18
Denmark	8.22-8.26	8.24-8.24½	0.60-1.10ore dis	−1.24	3.00-3.75dis	−1.64
W. Ger.	2.2130-2.2270	2.2210-2.2220	0.48-0.45pf pm	2.51	1.31-1.26pm	2.32
Portugal	150½-151½	150¾-151	150-300c dis	−17.86	300-780dis	−13.26
Spain	142.00-142.70	142.60-142.70	80-150c dis	−9.71	250-360dis	−8.45
Italy	1521-1526	1524¾-1525¼	6-8½ lire dis	−5.72	17-20½dis	−4.93
Norway	7.56-7.58¾	7.56½-7.57	4.45-4.85ore dis	−7.37	13.50-14 dis	−7.62
France	7.0680-7.0940	7.0800-7.0850	0.10-0.15c dis	−0.21	0.70-0.85dis	−0.44
Sweden	7.16¾-7.18¼	7.17-7.17½	2.10-2.40ore dis	−3.76	6.10-6.50dis	−3.51
Japan	165.85-166.35	165.95-166.05	0.37-0.32y pm	2.49	0.96-0.91pm	2.25
Austria	15.59½-15.64½	15.61¼-15.62¾	3-2gro pm	1.92	8-6pm	1.79
Switz.	1.8160-1.8235	1.8190-1.8200	0.15-0.10c pm	0.82	0.64-0.59pm	1.36

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.80-45.90

CURRENCY RATES

June 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.772924	0.636575
US $	6½	1.16962	0.957468
Canadian $	9.79	*	1.34399
Austria Sch	4	18.3667	15.1089
Belgian Fr	8	53.1128	43.9129
Danish Kr	7	9.64675	7.96943
D'mark	3½	2.59677	2.14824
Guilder	4½	2.92747	2.41942
French Fr	9½	8.29051	6.85250
Lira	12	1781.82(1)	1474.41
Yen	3½	194.424	160.646
Norway Kr	8	8.86724	7.32414
Span'h Pta	—	166.348	137.718
Swedish Kr	8	8.40223	6.93812
Swiss Fr	4	2.12615	1.75835
Greek Drch	20½	N.A.	136.286
Irish Punt	—	0.858811(1)	0.711366

* C$/SDR rate for June 25: 1.62157. (1) SDR rate for June 25.

EXCHANGE CROSS RATES

Jun. 26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.520	3.375	252.3	10.76	2.765	3.806	2317.	2.116	69.05
$	0.658	1.	2.222	166.0	7.083	1.820	2.503	1525.	1.393	45.45
DM	0.296	0.450	1.	74.74	3.189	0.819	1.127	686.5	0.627	20.46
YEN	3.964	6.024	13.38	1000.	42.67	10.96	15.08	9186.	8.389	273.7
F Fr.	0.929	1.412	3.136	234.4	10.	2.569	3.535	2153.	1.966	64.16
S Fr.	0.362	0.550	1.221	91.23	3.892	1.	1.376	838.0	0.765	24.97
H Fl.	0.263	0.399	0.887	66.29	2.829	0.727	1.	608.9	0.556	18.15
Lira	0.433	0.656	1.457	108.9	4.646	1.193	1.643	1000.	0.915	29.80
C $	0.473	0.718	1.595	119.2	5.085	1.307	1.797	1095.	1.	32.62
B Fr.	1.448	2.201	4.888	365.3	15.59	4.004	5.510	3356.	3.066	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 26	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]						

Long-term Eurodollars: two years 7¾-7⅝ per cent; three years 7⅞-8⅛ per cent; four years 8-8⅛ per cent; five years 8⅛-8⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

June 26	£	$
Arg'tina	1.5335-1.5350	0.8800-0.8810
Aus'alia	2.2595-2.2720	1.4965-1.4990
Brazil	20.95-20.99	13.77-13.84
Finland	7.8150-7.8260	7.1560-7.1570
Greece	211.06-216.52	139.54-142.40
[illegible]		

* Selling rate.

STERLING INDEX

	June 26	Previous
8.30 am	75.9	75.9
9.00 am	75.8	75.9
10.00 am	75.7	76.0
11.00 am	75.8	75.9
Noon	75.8	75.9
1.00 pm	75.9	75.9
2.00 pm	75.9	75.9
3.00 pm	76.0	76.0
4.00 pm	76.0	76.1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	43.9129	+0.54	+0.62	±1.5368
Danish Krone	[illegible]	7.96943	+0.64	+0.72	±1.6408
German D-mark	[illegible]	2.14824	+0.46	+0.54	±1.1202
French Franc	[illegible]	6.85250	−1.58	−1.50	±1.3701
Dutch Guilder	[illegible]	2.41942	+0.42	+0.50	±1.5081
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	1474.41	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Lacking a focus

Trading was very lethargic on the London International Financial Futures Exchange yesterday. Dealers commented that there was no focus to the market, and also little consensus about the implications of various potential factors, including the Mexico debt problem. This may lead to a flight of quality, and a demand for US Treasury bonds, or cause such difficulties for US banks that confidence suffers and prices fall.

The dull state of the market also reflected lack of trading towards the end of the quarter and end of the half-year, with US traders showing reluctance to get involved ahead of the July 4 Independence Day holiday and the Japanese general election on July 6. Shortly after, on July 8, provisional UK money supply figures will be published, and no cut in London bank base rates is expected before that date. This is also limiting activity in sterling-denominated interest-rate contracts.

Disappointment at the result of the US Treasury seven-year note auction led to a sell-off in interest-rate contracts, overnight in Chicago, and after opening weak on Liffe contracts recovered on short covering.

It was also suggested that buying was encouraged by a news report about a privately sponsored financial conference, to be held in Zurich at the weekend, and attended by several high-ranking officials, where the subject of currency values and interest rates will be discussed.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	7.04	7.54	—	—	0.24	1.28	—	—
118	5.26	6.28	—	—	0.46	2.02	—	—
120	3.62	5.13	—	—	1.18	2.51	—	—
122	2.48	4.08	—	—	2.05	3.46	—	—
124	1.53	3.13	—	—	3.09	4.51	—	—
126	1.09	2.28	—	—	4.29	6.02	—	—
128	0.42	1.52	—	—	5.62	7.26	—	—
130	0.23	1.21	—	—	7.43	8.59	—	—

Estimated volume total, Calls 1,395, Puts 176
Previous day's open int. Calls 2,374, Puts 3,608

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	11.21	11.26	—	—	0.07	0.60	—	—
90	9.29	9.52	—	—	0.15	1.22	—	—
92	7.44	8.22	—	—	0.30	1.56	—	—
94	6.04	7.01	—	—	0.54	2.35	—	—
96	4.40	5.52	—	—	1.28	3.22	—	—
98	3.25	4.48	—	—	2.11	4.18	—	—
100	2.25	3.52	—	—	3.11	5.23	—	—
102	1.40	3.03	—	—	4.26	6.37	—	—

Estimated volume total, Calls 138, Puts 77
Previous day's open int. Calls 1,388, Puts 484

LIFFE E/$ OPTIONS
£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	—	—	—	93.35
Sept	—	—	—	93.64
Dec	—	—	—	93.53
March	—	—	—	93.14

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	93.25	93.37	93.25	93.32
Dec	93.26	93.27	93.13	93.23
March	93.06	93.06	92.99	93.01
June	92.75	92.75	92.69	92.71
Sept	92.42	92.43	92.36	92.40
Dec	92.12	92.12	92.09	92.11
March	91.82	91.84	91.80	91.83
June	—	91.57	91.55	91.57

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

FT-100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING $e per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

MONEY MARKETS

Very quiet trading

Interest rates remained steady on the London money market yesterday. Three-month interbank eased very slightly to 9½-9⅜ per cent from 9⅝-9½ per cent, in very quiet conditions, with nothing to stimulate activity. The lack of new factors means dealers generally expect bank base rates to remain at the present level, at least until publication of the mid-June provisional money supply figures on July 8.

Stimulus may come from abroad, but the German Bundesbank is known to be concerned about high money supply growth and the weakness of the D-mark in the EMS, while the US Federal Reserve is equally worried about the money supply situation and the general weakness of the dollar. The fall of 0.5 per cent in first quarter Japanese gross national product suggests a possible move by Tokyo, but the discount rate is unlikely to be cut ahead of that country's general election on July 6.

The Bank of England initially forecast a money market shortage of £200m, but changed this to £250m in the afternoon. Total help on the day was £246m.

Before lunch the authorities bought £36m bank bills outright in band 2 at 9⅜ per cent.

In the afternoon another £158m bills were purchased outright, by way of £2m bank bills in band 1 at 9⅜ per cent; £99m bank bills in band 2 at 9⅜ per cent; and £54m bank bills in band 3 at 9⅜ per cent.

Late assistance of around £55m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £191m, with Exchequer transactions absorbing £10m, and a rise in the note circulation another £40m.

These outweighed bank balances above target by £48m.

In Frankfurt call money was bid at only 3.90 per cent, compared with 4.15 per cent, as banks found themselves well stocked with liquidity. Some excess funds may have been absorbed by purchase of three-day Treasury bills from the Bundesbank, at a rate of 4 per cent, but in general banks wished to keep a good supply of money ahead of today's pension payments, which are expected to drain up to DM 10bn from the system.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	8½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]
Treasury Bills & Bonds	
One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. June 26) Three months US dollars: bid 6⅞, offer 7; Six months US dollars: bid 6⅞, offer 7

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

June 26	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]					
Paris	[illegible]					
Zurich	[illegible]					
Amsterdam	[illegible]					
Tokyo	[illegible]					
Milan	[illegible]					
Brussels	[illegible]					
Dublin	[illegible]					

LONDON MONEY RATES

June 26	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]					
Sterling CDs	[illegible]					
Local Authority Deps	[illegible]					
Local Authority Bonds	[illegible]					
Discount Mkt Depos	[illegible]					
Company Deposits	[illegible]					
Finance House Deposits	[illegible]					
Treasury Bills (Buy)	[illegible]					
Bank Bills (Buy)	[illegible]					
Fine Trade Bills (Buy)	[illegible]					
Dollar CDs	[illegible]					
SDR Linked Deposits	[illegible]					
ECU Linked Deposits	[illegible]					

Treasury Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Bank Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.5060 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June (inclusive): 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from June 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 10 per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from June 25. Deposits held under Series 5 6% per cent. Deposits withdrawn for cash 5½ per cent.

WORLD VALUE OF THE DOLLAR
BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 25, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of June 25 at 11.00 a.m.
3 months: 6⅞ · 6 months: 6⅞

ECU=$US.968061 · SDR1=$US1.17
Sibor as of June 25 at 11.00 a.m.
3 months: 7 · 6 months: 6⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]		

n.a. Not available. (a) Market rate. (b) Freemarket central bank. (c) Official rate. (d) Freemarket interbank. (e) Commercial rate. (f) Financial rate. (g) Controlled. (h) Preferential rates. [illegible]

For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102 1/16	100¼	Exch 14pc 1986	101 13/16	...	13.81	9.46
98⅝	94⅞	Exch. 2½pc 1986	98½	–⅛	2.55	7.25
102 13/32	100⅛	Exch. 13¼pc 1987	102 1/16xd	+⅛	12.97	9.22
100⅞	97 3/16	Treas 10¼pcCv '87	100 3/16	–⅛	10.21	9.45
97 9/16	92 13/16	Exch 2½pc 1987	97⅛	...	2.57	6.99
101⅛	97½	Exch. 10½pc 1987	100 11/16	–1/16	10.42	9.31
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅛	–1/16	6.62	8.81
101⅛	96 11/16	Treas. 10pc 1987	100⅝	–1/16	9.94	9.28
97 1/16	90⅞	Treas 3pc 1987	96 1/16	–⅛	3.12	6.84
104½	99⅛	Treas. 12pc 1987	103⅛	–⅛	11.61	9.21
99¼	92 13/16	Treas 7¾pc 1985-88‡‡	99 1/16xd	–¼	7.80	9.01
104	96¼	Exch 10½pc '88	102 1/16	–⅛	10.25	9.03
102⅝	95⅛	Treas 9¾pc Cv '88	101¼	–1/16	9.63	9.00
94¼	86½	Transport 3pc '78-88	92⅝xd	–¼	3.24	7.00
102½	93 13/16	Treas. 9½pc '88	100⅝	–⅛	9.44	9.17
107 9/16	98 3/16	Treas 11½pc 1989	105 1/16	–1/16	10.91	9.13
103½	93⅛	Treas 9½pc Cnv. '89	101¼	–1/16	9.38	8.97
92⅛	82 3/16	Treas 3pc 1989	90⅛	–⅛	3.33	6.83
105 1/16	95 3/16	Treas 10½pc 1989	103½	–1/16	10.14	9.12
104 3/16	94⅛	Exch.10pc 1989	102⅜xd	–1/16	9.77	9.12
107 5/16	97	Exch 11pc 1989	105⅛	...	10.46	9.11
93 3/16	84½	Treas 5pc 1986-89	92	–1/16	5.43	7.78
110 3/16	94⅝	Exch 10¼pcCv '89	106½	+¼	9.62	8.00
114 3/16	103 3/16	Treas 13pc 1990‡‡	111⅝xd	–1/16	11.65	9.09
108⅛	97⅛	Exch 11pc 1990‡‡	105¾	–1/16	10.40	9.09
113⅛	101 15/16	Exch. 12½pc 1990	110⅝	–1/16	11.30	9.06
89¼	79⅝	Treas. 3pc 1990	88⅛	–1/16	3.39	6.44
100 3/16	89⅛	Treas 8¼pc 1987-90‡‡	98¼	–¼	8.40	8.78
106 1/16	93	Treas. 10pcCv 1990	103⅜	...	9.67	9.02
86 3/16	76½	Exch 2½pc 1990	85⅝	–1/16	2.92	6.28
112 3/16	99 1/16	Treas 11¾pc 1991	109 11/16xd	–1/16	10.70	9.06
94½	83 1/16	Funding 5¾pc '87-91‡‡	93¼	–¼	6.17	7.45
86⅛	85⅞	Treas. 3pc 1991●	85⅞	–¼	3.49	6.42

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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Building Societies

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AMERICANS

AMERICANS—Cont.

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BUILDING, TIMBER, ROADS—Cont

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DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

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INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

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INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

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Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
34	28	Emess Int. Ir10p	33			—	—
102	70	Greenwich Res.	97		—	—	—
157	93	Hampton Areas 10p	154	+1	01.0	—	0.9
250	165	Highwood Res	237	+2	—	—	—
£19¼	£13⅝	Homestake Mining $1	£14¼	+¼	Q20c	—	0.9
310	175	McFinley Red Lake	200		—	—	—
285	195	Mastro Exploration	220		—	—	—
51	33	New Sabina Res C$1	36	–2	—	—	—
260	207	Northgate C$1	210		—	—	—
790	513	RTZ	593	–2	22.0	2.8	5.2
£164	£115	Do 9¾pcLn 95-2000	£133	–1½	Q9¾%	15.5	17.4
950	800	Tara Expln $1	875		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax free to non-residents on application.
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 535(3).
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend, cover on earnings updated by latest interim statement
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	118		Fin 13% 97/02	£122¾	
Craig & Rose £1	£13		Arnotts	317	
Finlay Pkg 5p	43		CPI Hldgs	43	
Holt (Jos) 25p	800		Carroll Inds	146	
IoM Stm £1	87		Dublin Gas	53	
			Hall (R. & H.)	75	
IRISH			Heiton Hldgs	32	+1
Fund 11¼% 1989	£103½		Irish Ropes	110	
Nat 9¾% 84/89	£101½		Unidare	198	+8

"Recent Issues" and "Rights" Page 39
(International Edition Page 27)

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Institutional and US support push leading shares up again

Shares and bond markets put up a creditable performance in London yesterday. Despite the large amounts of cash tied up in the **Thames TV** and **Morgan Grenfell** share issues, sufficient funds were available to send leading stocks higher again and rescue Government securities from an early setback.

US influences via Wall Street's surge to a record level on Wednesday and selective support of international issues were a prop for the equity market. Blue chips made forward progress with the emphasis on current American favourites. **ICI** were singled out ahead of a meeting with investment analysts, while **British Petroleum** and **Royal Dutch** were among several others on transatlantic buying lists.

UK institutional investors were encouraged to cast off their pre-occupations with the Thames TV and Morgan Grenfell flotations and they too began inquiring for stocks. The upward movement was slow reflecting some doubts over the US market's ability to maintain its strength. The Dow Jones index reacted in the early trade but London equities refused to retreat.

Arbitrageurs and other professional operators were caught on the hop and moved swiftly to close outstanding short positions. The resulting demand ensured a continuation of the firmness and the FT indices closed at the day's best levels. The Ordinary share ended 8.3 up at 1353.1 and the FT-SE 100 share 8.1 better at 1637.5. Mid-session announcements of financial and economic information, including the May trade returns, had no impact on the trend.

After a three-day spell of rising values, the Gilt-edged market ran into an early bout of profit-taking. The sales were triggered by an initially easier sterling/dollar rate and by a reactionary trend overnight in US bonds. These two influences *tended to dominate trading* and when the pound eventually picked up against the US currency, Gilt prices did likewise.

The recovery was aided later by a firmer opening tone in the US bond market and by the after-hours' trade most Gilts had reverted to their overnight closing levels. The exceptions *were selected low-coupon shorts* which retained losses of ⅛ or so.

Clearers rise

Clearing banks gave a firm performance in anticipation of a successful conclusion to NatWest's right issue. **NatWest** moved up 12 more to 509p with the new shares 13 better at 505p in fully-paid form. **Barclays** gained 10 to 507p and **Lloyds**, at 367p, and **Midland**, at 533p, firmed 5 apiece. **Bank of Scotland** found support at 424p, up 11 and **Royal Bank of Scotland** appreciated 8 at 326p. Merchant banks attracted selective support with gains of 15 and 18 respectively recorded in **Leopold Joseph**, 500p, and **Mercury International**, 818p. **First National Finance Corporation** featured Hire Purchases with a rise of 13 to 208p in anticipation of today's interim results. **Standard Chartered** touched 792p on *hopes of an increased offer* from Lloyds today before reacting to end unaltered at 788p.

Composites took Thursday's good gains a substantial stage further. **General Accident** were outstanding for a rise of 19 at 837p, while **GRE** firmed 9 at 877p and **Royals** appreciated 7 at 877p. **Willis Faber**, reflecting the expected success of the Morgan Grenfell flotation, advanced 14 to 437p among Lloyds Brokers where **Stewart Wrightson** revived with a speculative gain of 22 at 412p.

Beaverco began life quite brightly in the Unlisted Securities Market and touched 158p before slipping back to close at 150p; the recent placing price was 145p. **Airsprung**, the other USM debutant, was introduced at around 117p and ended at that level. The introduction of fully-listed **Bertrams Investment Trust** was a quiet affair and the shares eased from an opening 83p to settle at 80p; the new nil-paid shares were quoted at a marginal premium.

Leading Breweries continued to make modest progress, albeit in a relatively disappointing trade. Gains of 5 were noted for **Whitbread A**, 307p, **Allied-Lyons**, 357p, and **Guinness**, 330p. **Scottish and Newcastle** also hardened 5, to 212p; the annual results are expected next Tuesday. Among Regionals, further consideration of the respective interim and final results lifted **Eldridge Pope A** 10 to 370p and fellow USM concern **Fuller Smith and Turner** 30 to 590p.

A firm Building sector was highlighted by **BPB Industries** which raced ahead to close 23 higher at 510p following preliminary profit well above the most optimistic forecasts and the encouraging accompanying statement. **Costain** continued their recent advance and settled 6 up at 588p, while revived takeover speculation boosted **Henderson Group** 7 to 340p. "New-time" buying lifted **Wiggins Construction** 6 to 73p.

ICI added 15 at 981p, after 963p on persistent US buying; a press report said that representatives of the company were scheduled to address Wall Street analysts last night.

Ward White buoyant

The **Woolworth/Dixons** bid situation finally gathered momentum ahead of next Wednesday's closing date. Woolworth finished 13 to the good at 763p as brokers Cazenove, acting on behalf of Dixons, purchased 2.7m Woolworth shares at 760p apiece. Dixons settled a couple of pence to the good at 338p.

Elsewhere in Stores, bid speculation continued to surround mail-order house **Grattan**, finally 6 up at 432p—a rise of 30 so far this week. **Ward White** provided another firm feature, rising 16 to 326p following the confident tenor of the chairman's statement at the annual meeting. **Courts (Furnishers)** A hardened a few pence to 121p in the wake of the full-year figures, while a favourable press mention lifted **Stirling** 5 to 106p.

The prospect of tougher regulations on its public telephone charges unsettled **British Telecom** which eased to 222p before closing 4 cheaper on the day at 224p. Elsewhere in the Electrical sector leaders, **GEC**, the subject of BTR bid rumours recently, gained 4 more to 216p; the preliminary figures are expected next Tuesday. **Telephone Rentals**, reflecting revived bid rumours, closed 10 higher at 225p, but **Kewill Systems** eased 5 to 75p after the preliminary figures. **Amstrad** regained 6 to 116p and demand continued for **VG Instruments** which rose 12 more to 497p.

Apart from **Vickers**, up 13 at 473p, on compensation hopes following reports that judgment on Lithgow would be delivered at Strasbourg on July 8, leading Engineers rarely strayed from previous closing levels. Elsewhere, buying ahead of the preliminary figures scheduled for July 11 left **Crown House** 16 to the good at 215p. News that the Government is to control the salt price, prompted an initial fall to 350p in **Staveley**, but the share price subsequently rallied to close 10 better on balance at 570p. Country buying left **Bromsgrove Castings** 6 better at 122p, while **Birmingham Mints**, results due on July 10, improved 6 to 186p.

Bejam were an active counter in Foods, rising to 168p at one stage before closing the day 9 higher on balance at 166p following persistent speculative buying fuelled by talk of a possible bid from Tesco. **Unigate**, meanwhile, rose 7 to 310p ahead of a meeting with analysts in the US next week. Renewed American demand left **Cadbury Schweppes** up another couple of pence at 184p. **Hillsdown** firmed 10 to 293p on acquisition details, while gains of 12 and 20 respectively were recorded in **A. and C. Barr**, 295p, and **Hazlewoods**, 840p. **S. and W. Berisford** touched 239p before reacting in *the absence of the widely-rumoured bid from Ferruzzi* to finish 3 lower on the session at 232p.

Hargreaves down

Hargreaves reflecting profit-taking after the preliminary figures, fell away to close 10 cheaper at 180p, but **Charter Consolidated** responded to comment on the annual results with a gain of 7 at 265p. **Pentland Industries** revived at 865p, up 25, while bid speculation lifted **Nu Swift** 22 to 130p. **Reuters**, still benefiting from US demand, put on 12 more to 508p. Buying ahead of the interim figures scheduled for next Monday left **Blue Arrow** 15 to the good at 383p. **Technical Components** firmed 10 to 310p on acquisition news, while old takeover favourite **Christies International** closed 10 higher at 298p. Profit-taking after the preliminary statement left **Stainless Metalcraft** 7 cheaper at 193p, while **Crest Nicholson**, 163p, and **Stonehill Holdings**, 77p, also closed a few pence lower after trading statements. **Bodycote** revived with a gain of 20 to 315p and **British Steam** picked up 10 to 285p. **Spring Ram** were good at 238p, up 16, while renewed buying in a restricted market prompted a rise of 30 to 515p in **Parkfield**.

BL, a dull market recently, rallied 8 to 54p following news of substantial US orders for the Rover Sterling, the flagship of the new Rover 800 series developed in the joint venture with Honda. **Jaguar** met fresh US support after-hours' and put on 6 more to 531p. Components also trended firmer with gains of 5 common to **Lucas**, 595p, **Dowty**, 229p, and **AE**, 250p; the last-mentioned *is currently in receipt of* a bid from Turner and Newall. USM-quoted accessory cash-and-carry group **Spice** eased a couple of pence to 90p following the interim statement. Among Distributors, "call" option business helped **BSG International** gain 2 to 49½p, while renewed demand in a restricted market lifted **Western Motor** 10 to 183p.

Among firm Publishers, revived support lifted **Associated Newspapers** 5 for a three-day advance of 18 to 333p; the interim results are scheduled for July 9. **Daily Mail A** were marked a couple of points higher to £19¾ following reports that the company intends to change its domicile to the Netherlands.

Secondary issues yesterday provided the main features in Properties. **Regalian**, still reflecting the recent good results in 100 per cent scrip-issue, jumped 35 to 605p, while buying on the group's development prospects left **Marler Estates** 40 to the good at 485p. **Sheraton Securities** met with renewed speculative support and gained 4 at 54p, while **Greycoat** added 8 at 262p. **Daejan** put on 5 more to 755p, but further sporadic offerings in an unwilling market saw **Egerton Trust** drop to 88p before closing 5 easier on balance at 94p. **Centrovincial Estates** eased to 190p following the results, but later rallied to close unaltered at 195p. Among the leaders, **Land Securities** attracted another good business with sellers finally holding sway and the close was 2 off at 339p, after 336p.

Textiles featured **Courtaulds** which responded to often sizeable support and touched 292p before settling a net 10 up at 290p; *the company is about to* host a presentation for analysts at its Spanish fibre operation. Elsewhere, hopes of further rationalisation in the sector in the wake of John Crowther's latest acquisition moves, directed attention to **Sirdar**, 12 up at 154p and **Strond-Riley Drummond**, 7 dearer at 117p; the latter's full-year figures are expected during the next trading Account. **Lister**, annual results due next Monday, put on 4 more to 93p.

Among Tobaccos, **Rothmans International** closed 7 up at 157p; its Carling O'Keefe subsidiary has sold its Carling and Carling Black Label trade marks for the UK, Europe and certain other territories to Bass for £8.5m.

Investment Trusts highlighted **Group Investors** which announced unitisation proposals and touched 308p before settling 35 higher on balance at 295p. In Financials, **Aitken Hume** dipped to 163p following the rejection of the revised share-exchange offer from Tranwood, but later rallied to 166p, a loss of only a penny on balance, as Tranwood announced that its increased bid had received acceptances in respect of 31.7 per cent of Aitken Hume's equity.

Shell move ahead

Firm oil prices and the absence of any bad news from the Opec meeting in Brioni encouraged renewed support for the oil majors. A mixture of *sustained European and US buying* interest lifted **Shell** 8 to 805p, **Royal Dutch** ¾ to £53¼ and **BP** 3 to a 1986 high of 588p.

Second-line Oils continued to make progress especially **Industrial Scottish Energy** which edged up 3 more to 88p following the agreed 90p a share cash bid from Texas Gas Exploration. **Century** attracted fresh speculative interest which lifted the shares 4 to a year's best of 135p, while news of the acquisition of US oil and gas assets, in a deal involving the issue of around 23.35m new shares, two promissory notes of up to £5.5m and $2.04m in cash boosted **Exploration Company of Louisiana** 5 to 45p. **Sovereign** eased a penny to 34p on news of the proposed £2.5m rights issue and the re-negotiation of the contract for the Sovereign Explorer drilling rig which the directors say will result in substantial cost savings both short and long term.

Confirmation of further US support coupled with a lively traded option business lifted **Lonrho** 6 more to 249p. Other Overseas Traders were subdued.

A largely technical rally in the Financial Rand, which rose 0.75 cents to 23.25 cents, and another firm showing by the bullion price triggered a recovery in South African gold and related issues. Many posted *their first gains for six trading days.* Golds edged higher for much of the session before faltering around the opening of US markets. Reports of probable economic sanctions when EEC Foreign Ministers met in The Hague yesterday morning failed to materialise and dealers awaited hard news of the outcome of the summit between EEC Heads of Governments, which took place later in the day.

At the close of business the leading heavyweights were left with gains ranging to almost £2 as in **Vaal Reefs**, at £34¼. **Randfontein** advanced £1½ to £44¼, **Southvaal** a point to £17¾ and **Buffels** ¾ to £12¼. *Cheaper-priced Golds included numerous firm* features especially **Blyvoor**, 25 up at 280p, and **Unisel** which rose 17 to 375p. **Kloof** were 19 better at 356p and **Hartebeest** 14 to the good at 194p. The Gold Mines index, down 27.4 over the previous five sessions, regained 8.6 to 202.1.

South African Financials and Platinums mirrored the trend in Golds. In the former sector, **De Beers** advanced 15 to 420p, **Anglo American Corporation** 25 to 715p and **"Johnnies"** £1 to £51. **Rustenburg Platinum** jumped 19 to 558p and **Impala** 13 to 543p.

Interest in UK-domiciled Financials was minimal. **Consolidated Gold Fields** held at 430p, despite the upturn in Golds, but **Rio Tinto-Zinc** drifted off a couple of pence to 593p.

The Australian mining sector failed to arouse any substantial interest. Another general bout of weakness by overnight domestic markets and renewed pressure on the Australian dollar in London stifled an early attempt at a rally and the majority of stocks closed with minor alterations either way. Golds provided a firm feature in **Gold Mines of Kalgoorlie**, 10 higher at 380p, while the leaders showed **Western Mining** 4 harder at 134p.

Traded Options

Traded Options in **Dixons** got off to an extremely encouraging start with 2,601 calls and 591 puts transacted. **Lonrho** and **Hanson Trust** were also popular with 1,708 and 1,710 calls traded respectively. Total contracts struck amounted to 18,164.

FINANCIAL TIMES STOCK INDICES

	June 26	June 25	June 24	June 23	June 20	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	90.84	90.99	90.68	90.47	90.32	81.86	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.92	96.69	96.68	96.61	96.43	86.42	97.51 (22/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1353.1	1344.8	1339.4	1338.2	1353.4	933.9	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	202.1	193.5	203.7	208.5	213.8	432.2	357.0 (27/1)	192.5 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.08	4.11	4.12	4.12	4.08	4.95				
Earnings Yld.% (full)	9.79	9.86	9.89	9.87	9.81	12.41				
P/E Ratio (net) (*)	12.43	12.35	12.31	12.33	12.41	9.84				
Total Bargains (Est.)	23,846	23,166	24,575	23,889	25,574	21,256				
Equity Turnover £m.	—	531.05	479.02	584.47	587.68	400.58				
Equity Bargains	—	20,650	20,784	22,936	21,880	18,762				
Shares Traded (ml).	—	221.4	191.6	233.4	238.7	203.5				

S.E. ACTIVITY

Indices	June 25	June 24
Gilt Edged Bargains	131.2	129.8
Equity Bargains	133.8	134.7
Equity Value	1073.4	968.2
5-Day Average		
Gilt Edged Bargains	125.8	123.6
Equity Bargains	141.3	143.5
Equity Value	1153.7	1,160.7

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1353.5	1351.8	1350.7	1345.9	1352.3	1352.1	1353.2	1353.2

Day's High 1353.5. Day's Low 1345.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.99.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 26 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Wed June 25 Index No.	Tues June 24 Index No.	Mon June 23 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (213)	740.54	+0.5	8.04	3.29	15.86	8.22	736.62	734.99	729.99	489.86
2	Building Materials (26)	799.83	+0.9	8.49	3.56	14.92	10.04	792.80	792.19	793.99	487.44
3	Contracting, Construction (29)	1227.04	+0.3	7.87	3.92	17.44	18.56	1223.31	1219.75	1219.44	726.32
4	Electricals (12)	1898.53	+0.4	7.73	4.03	17.17	38.53	1891.85	1912.63	1934.11	1326.02
5	Electronics (38)	1728.72	+0.7	8.44	2.66	15.75	18.00	1716.03	1708.85	1654.88	1327.00
6	Mechanical Engineering (63)	416.90	+0.3	9.14	3.80	13.90	6.03	415.50	412.72	413.60	281.02
8	Metals and Metal Forming (7)	371.03	+0.1	6.93	3.84	18.74	4.35	370.58	364.60	362.16	179.38
9	Motors (16)	316.43	+0.6	8.33	3.06	13.98	3.72	314.56	313.73	314.04	157.88
10	Other Industrial Materials (22)	1322.56	+0.3	6.16	3.01	19.52	14.09	1318.99	1324.31	1324.93	891.96
21	CONSUMER GROUP (183)	932.01	+0.4	7.73	3.13	16.23	11.19	928.43	924.45	925.53	632.85
22	Brewers and Distillers (22)	975.77	+0.7	8.85	3.29	13.80	9.92	968.70	956.03	953.21	601.30
25	Food Manufacturing (22)	688.67	+0.6	9.15	3.78	14.23	10.03	684.83	680.98	680.07	485.22
26	Food Retailing (15)	1824.83	+0.1	6.75	2.67	20.23	16.08	1823.62	1818.22	1831.76	1468.18
27	Health and Household Products (10)	1580.85	−0.4	5.29	2.18	22.31	11.49	1587.10	1583.54	1603.42	1011.87
29	Leisure (26)	902.94	+0.5	7.94	3.89	16.36	14.81	898.30	897.96	902.76	617.84
32	Publishing & Printing (14)	2557.32	+0.3	7.57	3.91	16.58	46.31	2550.93	2545.14	2542.95	1719.63
33	Packaging and Paper (14)	492.42	+0.2	6.74	3.22	18.38	6.50	491.55	487.63	486.34	317.25
34	Stores (41)	879.22	+0.5	6.87	2.81	19.75	9.42	874.57	872.38	870.09	603.19
35	Textiles (17)	552.56	+1.5	9.37	3.44	12.35	7.95	544.51	543.83	542.23	323.13
36	Tobaccos (2)	1126.98	+0.7	12.65	4.34	8.86	20.60	1118.81	1118.39	1107.00	828.22
41	OTHER GROUPS (88)	797.09	−0.2	8.41	3.92	15.30	7.73	798.52	800.59	803.21	644.05
42	Chemicals (21)	907.89	+0.9	10.06	4.46	12.05	17.28	900.20	903.15	907.03	713.63
44	Office Equipment (4)	256.00	+1.7	7.26	3.98	16.66	4.59	251.62	251.62	253.11	168.68
45	Shipping and Transport (12)	1490.66	−0.4	7.85	4.20	16.85	24.95	1496.29	1493.55	1494.78	1052.01
47	Telephone Networks (2)	890.75	−1.5	9.37	4.13	14.62	8.93	904.12	906.42	912.17	802.53
48	Miscellaneous (49)	1057.05	+0.6	6.32	3.20	19.82	11.57	1051.20	1054.94	1054.10	790.22
49	INDUSTRIAL GROUP (483)	858.93	+0.3	7.97	3.36	15.90	9.63	856.46	854.66	854.31	605.03
51	Oil & Gas (17)	1228.81	+0.6	16.64	7.36	7.18	40.71	1221.22	1205.78	1199.76	1122.00
59	500 SHARE INDEX (500)	891.86	+0.3	8.89	3.78	14.09	12.07	888.98	886.12	885.34	648.25
61	FINANCIAL GROUP (116)	607.49	+1.0	—	4.35	—	10.76	601.46	596.86	597.14	455.29
62	Banks (7)	637.39	+1.8	17.31	5.33	8.01	14.08	626.13	625.11	623.37	460.94
65	Insurance (Life) (9)	863.73	+0.5	—	4.32	—	17.27	859.55	846.23	854.85	717.22
66	Insurance (Composite) (7)	487.86	+1.2	—	4.25	—	9.46	482.07	476.17	473.80	350.42
67	Insurance (Brokers) (9)	1182.16	+1.2	8.84	4.04	14.79	23.40	1167.65	1145.41	1159.33	1068.19
68	Merchant Banks (11)	378.33	+0.9	—	2.84	—	3.25	375.04	376.44	376.88	222.44
69	Property (50)	792.16	−0.1	5.47	3.45	24.24	9.83	793.06	785.53	784.12	594.17
70	Other Financial (23)	347.14	+1.1	7.91	4.34	15.55	4.29	343.40	343.51	344.26	261.57
71	Investment Trusts (103)	756.53	+0.5	—	2.96	—	9.15	753.05	750.20	752.03	566.13
81	Mining Finance (3)	263.24	−0.2	13.60	6.06	8.57	6.11	263.81	264.94	266.82	266.11
91	Overseas Traders (14)	681.88	+1.1	11.12	6.06	10.68	19.57	674.53	668.91	670.75	626.80
99	ALL-SHARE INDEX (736)	808.50	+0.4	—	3.88	—	11.59	804.98	801.84	801.50	594.86

	Index No.	Day's Change	Day's High	Day's Low	June 25	June 24	June 23	June 20	June 19	Year ago
FT-SE 100 SHARE INDEX ♦	1637.5	+8.1	1637.9	1630.2	1629.4	1624.9	1622.8	1637.2	1629.6	1234.3

FIXED INTEREST

	PRICE INDICES	Thurs June 26	Day's change %	Weds June 25	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	123.14	−0.06	123.21	—	6.07
2	5-15 years	142.76	−0.08	142.88	—	6.90
3	Over 15 years	150.01	−0.10	150.16	—	7.29
4	Irredeemables	168.36	−0.08	168.49	—	7.27
5	All stocks	138.59	−0.08	138.70	—	6.75
	Index-Linked					
6	5 years	113.11	+0.08	113.03	—	1.18
7	Over 5 years	118.11	−0.13	118.33	—	1.64
8	All stocks	117.25	−0.09	117.36	—	1.55
9	Debentures & Loans	120.27	−0.07	120.36	—	5.74
10	Preference	87.42	−0.01	87.44	—	3.35

	AVERAGE GROSS REDEMPTION YIELDS		Thurs June 26	Weds June 25	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	7.70	7.64	10.38
2		15 years	9.00	8.99	10.60
3		25 years	9.87	9.86	10.28
4	Medium Coupons	5 years	9.15	9.14	11.36
5		15 years	9.31	9.30	10.87
6		25 years	9.32	9.30	10.39
7	High Coupons	5 years	9.29	9.26	11.41
8		15 years	9.47	9.46	11.02
9		25 years	9.35	9.33	10.58
10	Irredeemables		[illegible]	[illegible]	10.03
	Index-Linked				
11	Inflat'n rate 5%	5 yrs.	3.77	3.80	0.0
12	Inflat'n rate 5%	Over 5 yrs.	3.99	3.98	0.0
13	Inflat'n rate 10%	5 yrs.	2.53	2.56	0.0
14	Inflat'n rate 10%	Over 5 yrs.	3.87	3.87	0.0
15	Debs & Loans	5 years	9.94	9.98	11.94
16		15 years	10.23	10.22	11.69
17		25 years	10.28	10.28	11.58
18	Preference		10.47	10.47	12.37

♦ Opening index 1630.2; 10 am 1634.4; 11 am 1633.9; Noon 1636.1; 1 pm 1636.3; 2 pm 1636.4; 3 pm 1637.1; 3.30 pm 1637.5; 4 pm 1637.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (102)

AMERICANS (6), BANKS (1), BREWERS (2), BUILDING (6), STORES (2), ELECTRICALS (6), ENGINEERING (6), FOODS (3), INDUSTRIALS (10), INSURANCE (1), LEISURE (1), MOTORS (2), NEWSPAPERS (5), PAPER (6), PROPERTY (7), SHIPPING (1), TEXTILES (3), TRUSTS (28), OILS (6), OVERSEAS TRADERS (1), PLANTATIONS (1)

NEW LOWS (25)

BRITISH FUNDS (1) Treas. 3pc 1991, INT. BANK & O'SEAS GOVT. STERLING ISSUES (1) Mex. 16½pc 2008, AMERICANS (2) Amax, Damson Oil, CANADIANS (1) Trans Canada Pipe, BANKS (1) Westpac, CHEMICALS (1) Rentokil, ELECTRICALS (6) DBE Technology, Humberside Electronic, IBL, Process Systems, Rodime, United Leasing, INDUSTRIALS (2) European Ferries 6.75pc Cnv Pf, Lep Group, LEISURE (1) Scanro, TRUSTS (1) Caledonia Invs, OILS (3) Claremont Petroleum, Consolidated Brinco, Sovereign Oil, MINES (6) Durban Deep, West Rand, Afro-West Mining, Metana Minerals, Queen Margaret Gold.

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	● Robert Fleming & Co	10
American Express Bk	10	Robert Fraser & Ptrs	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	● Guinness Mahon	10
Associates Cap Corp	10	● Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	● Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co	10
Bank Credit & Comm	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co	11
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	11
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10.75	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10
Financial & Gen. Sec	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$350	1	5.90	—	—	—	—	$345.40
GOLD C	$360	10	4	—	—	2	14	
GOLD C	$320	—	—	3	4.10	—	—	
GOLD P	$340	5	5.20	—	—	—	—	

[illegible]

TOTAL VOLUME IN CONTRACTS: 27,446

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 23	July 4	Sept 25	Oct 6
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3

For rate indications see end of Unit Trust Service

Money was given for the call of Riley Leisure, Berkeley and Hay Hill, Francis Sumner, Sidney C. Banks, Western Selection, BCA, Oliver Prospecting, Mount Charlotte, Allda, BSG International, CASE, Richardsons Westgarth, Hestair, North Kalgurli, Allebone, Trusthouse Forte, Conroy Petroleum, Pavion, York and Equity Trust and Sound Diffusion. No puts or doubles were reported.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
BL	54	+8	ICI	981	+15
BPB Inds.	510	+23	Land Sec.	335	−2
Courtaulds	290	+10	Reuters B	508	+12
Egerton Trust	94	−5	Staveley Inds.	570	+10
Grattan	432	+6	Stroud Riley Dr.	117	+7
Hargreaves	180	−10	Vickers	473	+13

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
Burmah Oil	24	412	+22	ICI	14	966	+7
Cable & Wire.	19	705	+15	Beazer	13	805	+17
ERF	18	75	+18	Beecham	12	402	+4
Smallbone	15	178	—	Land Sec.	12	341	+8
Glaxo	15	£10⅝	—	Shell Transport	12	797	+12
Aspen Comms.	14	315	+20	Stand. Chartd.	12	788	−9

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	89	20
Corporations, Dominion and Foreign Bonds	1	15	51
Industrials	306	210	982
Financial and Properties	155	43	282
Oils	23	10	67
Plantations	2	5	8
Mines	52	19	114
Others	76	53	116
Totals	620	448	1,760

LONDON TRADED OPTIONS

[illegible]

June 26. Total contracts 18,164. Calls 14,249. Puts 3,915

*Underlying security price.

WORLD STOCK MARKETS

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm June 26

Total Sales 3,012,836 shares

MONTREAL

Closing prices June 25

Indices

Advances 827 Declines 537

TORONTO	June 26	June 25	June 24	June 23	1986 High	1986 Low
Metals & Minls	2,118.3*	2,133.3	2,121.3	2,123.6	2,442.85 (21/3)	2,025.3 (21/5)
Composite	3,071.1*	3,088.2	3,069.1	3,052.1	3,129.11 (18/4)	2,754.9 (17/2)
MONTREAL Portfolio	1,561.34*	1,557.46	1,550.29	1,550.20	1,623.33 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

	June 26	June 25	June 24	June 23	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1190.1	1185.7	1205.9	1214.6	1247.0 (7/5)	1018.6 (2/1)
Metals & Minls. (1/1/80)	589.7	589.5	518.2	524.4	682.0 (24/3)	481.1 (20/5)
AUSTRIA						
Credit Bk Aktien(2/1/62)	216.16	118.48	117.84	117.51	130.58 (25/4)	110.12 (5/8)
BELGIAN						
Brussels SE (1/1/80)	3696.96	3676.78	3656.54	3642.96	3706.16 (24/4)	2788.31 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	216.16	217.4	217.51	216.5	260.70 (18/4)	214.27 (21/1)
FRANCE						
CAC General (31/12/82)	358.7	355.7	346.8	346.0	411.3 (15/6)	287.8 (2/1)
Ind Tendance (31/12/82)	155.1	155.5	151.1	151.5	154.5 (12/6)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	637.42	648.86	650.02	656.98	756.80 (17/4)	616.34 (27/2)
Commerzbank (1/12/53)	1928.1	1958.5	1964.3	1976.9	2278.8 (17/4)	1886.8 (27/2)
HONG KONG						
Hang Seng Bank(31/7/64)	1758.58	1758.72	1763.9	1777.15	1885.95 (7/8)	1559.94 (19/5)
ITALY						
Banca Comm Ital. (1972)	684.92	671.71	674.86	669.28	906.90 (30/5)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	17690.95	17516.66	17342.4	17457.99	17690.95 (26/6)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1357.84	1353.86	1344.9	1351.0	1357.84 (26/6)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	291.2	290.1	288.9	291.6	292.3 (2/6)	248.4 (5/5)
ANP.CBS Indust (1970)	284.5	285.9	285.9	285.5	285.7 (18/6)	254.9 (5/5)
NORWAY						
Oslo SE (4/1/83)	368.7	364.6	366.81	364.84	492.91 (18/1)	352.25 (20/5)
SINGAPORE						
Straits Times (30/12/66)	756.62	771.44	785.78	776.89	776.89 (25/6)	565.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1258.7	1278.0	1280.3	1807.8 (27/1)	1188.1 (21/4)
JSE Indust (28/9/78)	—	1175.7	1172.8	1156.4	1296.1 (20/6)	1088.5 (2/1)
SPAIN						
Madrid SE (30/12/85)	175.52	177.16	178.28	181.88	194.77 (12/6)	100.83 (5/1)
SWEDEN						
Jacobson & P (31/12/56)	2428.45	2500.1	2485.97	2455.15	2451.76 (17/6)	1728.67 (28/1)
SWITZERLAND						
Swiss BankCpn(31/12/58)	581.1	588.2	588.5	585.0	625.5 (9/1)	554.7 (28/2)
WORLD						
M.S. Capital Intl. (1/1/70)	—	325.6	325.1	328.2	322.2 (21/4)	248.8 (23/1)

** Saturday June 21. Japan Nikkei 17454.86, TSE 1348.88.

Base values of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

BL	54	+ 8
BPB Inds	510	+23
Beham	166	+ 9
Blue Arrow	382	+15
Christies Intl	298	+10
Courtaulds	290	+10
Crown House	215	+16
Daily Mail	£19¾	+ 2
First Nat Fin	205	+13
General Acc	837	+19
Group Invest	295	+35
Hillsdown	293	+10
ICI	981	+15
Lonrho	249	+ 6
Marler Est	485	+40
Nat West	509	+12
Nu-Swift Inds	130	+22
Pentland Inds	885	+25
Regalian Props	605	+35
Reuters B	508	+12
Sheraton Sec	54	+ 4
Sirdar	154	+12
Spring Ram	238	+16
Telephone Rent	225	+10
Unigate	310	+ 7
Vickers	473	+13
Ward White	326	+16

FALLS

Tr 5% 86–89	£92	−£⁵⁄₁₆
Egerton Trust	94	− 5
Hargreaves	180	−10

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 37

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, June 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 1/4	12 1/4	AAR s	.44	1.8	22	117	24 1/2	24 1/8	24 1/8	+ 1/8
30	21 3/4	ADT	.92	3.2		264	28 1/2	28 1/4	28 3/4	
32 1/4	11 1/2	AFG s			21	582	31 7/8	31 3/8	31 5/8	
25 3/8	13 3/4	AGS			15	1712	21	19 1/4	20 1/2	+ 1 1/4
60 3/8	37 1/2	AMR			11	4221	55 3/8	53 1/2	53 1/2	− 1 3/4
12 1/2	7 3/8	APL			6	6	10 3/4	10 3/4	10 3/4	
16 3/4	11 1/8	ARX	.71t	5.9	11	77	12 1/4	11 7/8	12	
51	30 3/4	ASA	2a	6.3		381	32	31 5/8	31 5/8	− 1/8
18 3/8	10 1/2	AVX		2.6		70	12 1/2	12 1/4	12 1/4	
32	22 3/8	AZP	2.72	9.7	7	758	28 1/8	27 3/4	28	+ 1/4
62	26 3/8	AbtLb s	.84	1.6	25	2414	u52 1/2	51 3/4	51 3/4	− 1/8
32	19 3/8	AccoWd s	.56	2.0	19	2619	28	27 3/4	27 7/8	− 1/8
17 1/4	10	AcmeC	.40	3.3		1250	12 1/2	12 1/4	12 1/4	− 1/4
9 1/4	7	AcmeE	.32b	4.1	19	3	7 7/8	7 3/4	7 3/4	− 1/4
20 3/4	17	AdaEx	1.90e	9.5		151	20 3/8	19 7/8	20	+ 1/8
33 3/8	16	AdmMl	.40	1.2	15	30	32 3/4	32 1/4	32 5/8	+ 1/2
20 3/8	10 3/4	AdvSys	.83t	4.9	9	77	17 1/2	17	17	− 3/4
32 7/8	20 3/8	AMD				2119	21 1/2	20 7/8	21	− 1/2
12 5/8	8	Adobe n				23	8 1/8	8	8	
16 3/8	14 5/8	Adob pf	1.84	11.		21	16 3/4	16 5/8	16 3/4	
20 1/4	15 1/4	Adob pf	2.40	12.		3	19 3/8	19 3/8	19 3/8	
18 3/8	7 3/8	Advest	.12a	.7	13	265	16 1/2	16	16 1/8	− 3/8
66 1/4	42 1/4	AetnLf	2.64	4.3	11	3584	62 1/4	61 3/8	61 3/4	− 1/8
57 1/2	51 1/2	AetL pf	4.28e	8.2		100	52 3/8	52 3/8	52 3/8	
101 1/2	97	AetL pfC	3.27e	3.4		4	96	d95 1/2	95 1/2	− 3/4
28 1/8	9 5/8	Ahmns s	.48	1.7	9	4089	27 5/8	27	27 1/4	− 1/2
5 3/4	2 1/2	Aileen			100	101	5 1/4	4 7/8	5	
41 5/8	25 3/4	AirPrd s	.80	2.3	14	8389	38 1/4	34 7/8	35 3/8	− 2 7/8
[illegible]										

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

[illegible]

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¾	Xerox	3	5.6	13	4087	55	53½	54	−1
58¼	53¼	Xerox pf5.45		9.8		19	56	55¾	55¾	−¼
28¾	20⅝	XTRA	.64	2.8		140	22⅞	22⅜	22¾	+¼
17⅝	13½	YorkIn n				680	17¼	16⅞	17	−¼
39	26¼	ZaleCp 1.32		3.6		x240	37⅛	36½	36¾	−½
10⅜	3½	Zapata	.03j			1112	4⅜	4¼	4⅜	
43⅝	23⅞	Zayre s	.32	.8	26	1151	43½	41⅝	42	−1½
29⅞	16¼	ZenithE				1071	25½	25⅛	25¼	+⅛
18½	8⅝	ZenLb s			22	1200	17¼	16⅞	17	−¼
22⅝	14⅛	Zero s	.29	1.7	17	98	17⅝	17⅜	17⅜	−⅜
45¾	32¼	Zumin 1.32		3.5	13	85	38½	37⅝	37¾	−¾

Sales figures are unofficial. Yearly highs and lows reflect the *previous 52 weeks plus the current week, but not the latest* trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 26

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Profit-taking brings retreat

A COOLER trend in the Treasury bond markets brought some profit-taking in Wall Street stocks yesterday, *write Terry Byland and Roderick Oram in New York.*

After a brave start, industrial stocks began to sag, with weakness in transportation indices again dragging the remainder of the market down.

At 3pm the Dow Jones industrial average was down 8.08 at 1,876.97.

The other major market indices showed minor falls from the new peaks established in the previous session.

The bond market tried to extend its recent gains, spurred on by a prediction by Mr Allen Sinai, of Shearson Lehman Brothers, that "the odds are now 60-40 on another federal reserve relaxation" as part of a co-ordinated round of rate cuts ahead of the Japanese elections on July 6.

But support soon faded as traders reacted to the disappointing outcome of Wednesday's auction of Treasury securities.

As bonds returned towards their overnight levels, losses in the stock market lengthened.

The transportation sector proved a weakening influence in the market, with both its two main elements, airlines and railroads, turning down. Second thoughts about People Express' problems are leading investors to expect fierce competition from other airlines fighting for market share. American lost $1⅛ to $53⅜ and Texas Air, a low-fare leader, was off $2⅛ at $32⅛.

ITT was the most actively traded stock with about 3.3m shares moving before lunch. Demand and price were boosted by hopes that its talks with European competitors would bring some profitable rationalisation of its telecommunications business. The two-day gain extends to $7⅛ at $52⅞.

In contrast, other high-technology stocks felt some selling pressure. Computer makers may suffer from a tax reform-induced slowdown in capital spending in the autumn. Wang, down $1⅛ at $14⅞, is forecasting weaker profits. The sector leaders showed similar vulnerability on price, with IBM off $⅛, Burroughs $⅜, NCR $⅛ and Honeywell $⅜.

Indications that US-Japanese semiconductor trade talks were stalling again depressed chip makers exposed to Japanese competition. Texas Instruments was down $3⅜ at $117⅜. Motorola was off $⅛ at $38⅞ and Advanced Micro Devices down $⅝ to $21⅛. National Semiconductor was unchanged at $11⅝.

Takeover rumours pushed up American Brands, a leading cigarette maker, by $2 to $94⅞, near the $100 level the stock has seen during earlier bid speculation. The industry as a whole has been buoyed by several recent cancer-related court cases.

The retail sector had another busy session, with Sears Roebuck gaining a further $⅞ to $48⅞ in brisk trading. But May Department Stores weakened $⅞ to $81⅛ as it began its $60-a-share tender offer for Associated Dry Goods. However, Dry Goods edged up $⅛ to $65⅝, with heavy turnover suggesting that the arbitrageurs are stocking up and expecting May to return with a higher offer.

K mart, another recent speculative favourite, added $⅜ to $56, and J. C. Penney gained $⅛ to $82⅞.

In the pharmaceutical sector Bristol-Meyers rebounded by $1⅛ to $7⅝ after the weakness which followed the decision to withdraw all capsule products. Up John, with speculation over its anti-baldness product less intense lost $1⅛ to $92.

However, the pharmaceutical leaders look mixed, Pfizer added $⅛ to $70, but Merck lost $⅞ to $101. Chemicals were also irregular, with Du Pont a weak spot, down $1⅛ at $83⅞.

Sharply lower third-quarter profits from American Medical, the health-care pioneer, drove down its shares by $⅞ to $16⅞. The company, along with competitors such as Humana (down $½) and National Medical (off $⅜), is suffering from the medical insurance squeeze on hospital profitability.

In the credit market short-term rates eased behind federal funds, still comfortably below 7 per cent. Turnover in *bonds was slim, as traders waited for* the newly sold federal securities to pass into the market place.

LONDON

SHARE and bond markets put up a creditable performance in London yesterday. Despite the large amounts of cash tied up in the Thames TV and Morgan Grenfell share issues, sufficient funds were available to send leading stocks higher again and rescue government securities from an early setback.

Blue chips made progress with the emphasis on current American favourites. ICI, up 15p at 981p, was singled out ahead of a meeting with investment analysts.

The FT Ordinary share index ended 8.3 up at 1,353.1, and the FT-SE 100 *share 8.1 better at 1,637.5.*

After a three-day spell of rising values, the gilt-edged market ran into an early bout of profit-taking. But prices picked up later in line with a firmer pound.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33

AUSTRALIA

CONCERN over the outlook for the economy in the wake of the national wage decision, the weakness of the local currency and the recent spate of bearish economic forecasts combined to undermine Syney markets.

The All Ordinaries index shed 5.6 to 1,190.1 on national turnover that was sharply down to 66.8m shares from the previous day's 99.1m.

Market leader BHP slipped 4 cents to A$8.46 after a low of A$8.40 in thin trading.

Among other diversified resource stocks, Bell Resources lost 5 cents to A$4.15, CSR 10 cents to A$3.18 and Bond Corp 8 cents to A$3.55.

Industrial stocks were also under pressure, with Amatil easing 10 cents to A$7.70, Elders IXL 5 cents to A$4.75 and Hooker 3 cents to A$2.80.

HONG KONG

SELLING PRESSURE gained momentum as the day progressed in Hong Kong with foreign institutions switching their investments to equities in Singapore and Australia.

The Hang Seng index, which advanced almost 4 points during the morning, ended the day a net 9.34 lower at 1,750.38.

Hutchison Whampoa lost 30 cents to HK$28.90, but Hongkong Wharf managed a 5-cent rise to HK$7.

Property shares were lower although the results of an auction of three small property sites were in line with with expectations. Cheung Kong shed 20 cents to HK$20.40, Sun Hung Kai Properties 10 cents to HK$12.20 and Hongkong Land 5 cents to HK$5.65.

SOUTH AFRICA

GOLD SHARES were mixed in Johannesburg after a quiet and directionless day's trading.

Higher-priced golds were mostly lower, despite the firmer bullion price, but the cheaper issues ended 50 cents either side of the previous close.

Mining financials saw Gold Fields up R1 to R44.50, but Gencor shed R1 to R50.

Among the other miners, De Beers lost 45 cents to R27.65, and Rustenburg Platinum shed 75 cents to R38.50. Copper share Palamin managed a 50-cent rise to R23.

CANADA

A MIXED PICTURE emerged in Toronto after a firm start to the day, with industrials holding on to gains but oils, golds and metals losing ground in active trading.

Molson put on C$⅜ to C$29½ as it forecast substantially higher first-quarter profit.

Carling O'Keefe added C$¼ to C$13½ on expectations of a C$12.5m gain from the sale of beverage trademarks in Europe and other areas.

Montreal managed to maintain some small early gains.

EUROPE

Frankfurt fails to find buyers

A LACK of fresh incentives and the onset of the European holiday season left bourses with no clear direction.

Frankfurt closed lower – in contrast to most other major bourses, which registered small gains – and the Commerzbank index shed 28.4 to 1,928.1 as buying interest evaporated.

Only the car manufacturing and retailing sectors ended the session higher. Daimler closed DM 5 up at DM 1,355, VW added DM 1.20 to DM 536.20 and BMW was DM 7 higher at DM 592.

Among the store groups Karstadt firmed DM 1.20 to DM 341, Kaufhof rose DM 2 to DM 448 and Horten was unchanged at DM 182.

Most major banks ended the session with small losses. Deutsche fell DM 2 to DM 775.50 and Dresdner DM 1 to DM 413.50. Commerzbank was unchanged at DM 307.2.

The easier trend was also seen in chemicals where BASF fell DM 6 to DM 273.50 on lower turnover for the first half of 1986, and Bayer, which plans to streamline its consumer products division, lost DM 1.10 to DM 289. However, Hoechst closed unchanged at DM 263.50.

Among electricals Siemens continued to fall losing DM 3.50 to DM 629. AEG lost DM 5 to DM 300. A Frankfurt stock exchange panel said yesterday it had found a "slight violation" of insider trading rules ahead of the announcement last year of AEG's merger with Daimler.

Bonds closed narrowly mixed. Gains of 30 basis points were balanced by similar losses among all maturities. The recent 5¾ per cent 1996 per cent federal government bond was unchanged at 99.45. The 6 per cent 2016 tranche fell 10 basis points to end at 98. The 6 per cent 1996 bond for the federal post office was unchanged.

The Bundesbank sold DM 37.3m worth of paper after sales totalling DM 120.8m the previous day.

Amsterdam closed mixed as holiday lethargy set in. The ANP-CBS index ended 1.1 higher at 291.20.

Internationals, which on Wednesday regained some of the losses suffered earlier in the week, slipped back again. Unilever fell Fl 1.50 to Fl 483.50 and Hoogovens Fl 1 to Fl 112.20. Royal Dutch, however, managed to add 90 cents to Fl 201.90, helped by foreign demand.

Banks were mixed with foreign demand again helping ABN to add a healthy Fl 9 to Fl 595. Amro put on 50 cents to Fl 107.50, but NMB shed 50 cents to Fl 196.50.

Zurich saw small gains in most sectors – apart from chemicals and electricals – as buyers drifted back to the market.

Among transport stocks Swissair continued to fall, closing SFr 40 lower to SFr 1,580. The company announced lower revenues last week.

Banks were mixed, with Swiss Bank up SFr at SFr 539 but Bank Leu SFr 25 down at SFr 3,500 and UBS SFr 15 lower at SFr 5,675.

Insurers saw some gains, with Winterthur advancing SFr 25 to SFr 5,950 and Zurich up SFr 25 to SFr 7,600.

Brussels saw small rises across the board for the fourth consecutive trading day although trading was quiet.

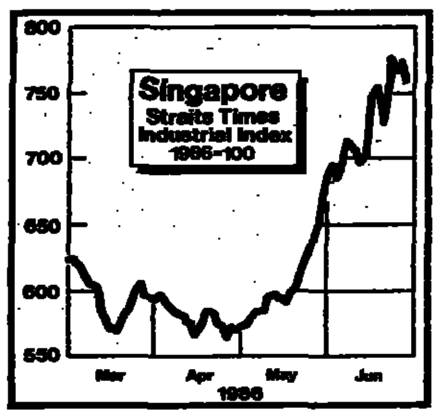
Petrofina, still buoyed by first-half forecasts, continued to rise adding BFr 70 to BFr 8,600.

Elsewhere, UCB added BFr 30 to BFr 8,060 while Solvay was steady at BFr 7,900.

Paris closed firmer helped by technical trading ahead of the second quarter.

Matra added FFr 15 to FFr 2,268 on the news that the French Government had given the go-ahead to its planned car components merger with Fiat.

Milan closed higher in thin trading led by industrial blue chips. **Madrid** ended the session lower as did **Oslo** while Stockholm closed higher, ending a week of falls.



SINGAPORE

A WAVE of profit-taking overwhelmed Singapore, leaving the Straits Times down 15.42 at 756.02.

Selling pressure was particularly intense on stocks approved for purchase with Central Provident Fund (CPF) money. Many of the stocks had received widespread support from the Government's recent decision to allow individuals to buy stocks with their CPF.

Industrials showing losses included Genting, down 22 cents at S$4.50, National Iron, 20 cents lower at S$3.72, and Straits Trading, 14 cents lower at S$2.98.

A 20-cent decline to S$7.25 by OCBC fed the banking sector lower. DBS was 15 cents down at S$6.70, and OUB shed 12 cents to S$2.98.

Properties were mixed, and plantations showed no clear trend.

TOKYO

Visit to peaks is extended

INVESTORS actively sought medium-priced incentive-backed stocks in Tokyo yesterday, sending the Nikkei average to another record, *writes Shigeo Nishiwaki of Jiji Press.*

The index advanced 84.32 to 17,600.95 on volume to 880.5 shares, up from Wednesday's 820.8m. Gains outpaced losses 488 to 371, with 133 issues unchanged.

Yesterday was the last day of trading for delivery this month, usually a quiet session with the dealing sections of securities houses staying away from the market. Instead, they were out in force, expecting bullish institutional investors and businesses to buy actively with the start of trading for July today.

Among medium-priced incentive-backed issues, Toray advanced Y35 to Y639 in active trading. Investors expect a new anti-cancer drug and increasing sales of carbon fibres to improve the company's performance.

Konishiroku Photo Industry, which recently launched a full colour copier, scored a daily limit gain of Y100 to Y810 at one stage. It closed at Y808, up Y98. Fuji Photo Film rose Y120 to Y3,020, reflecting expanding sales of a small camera.

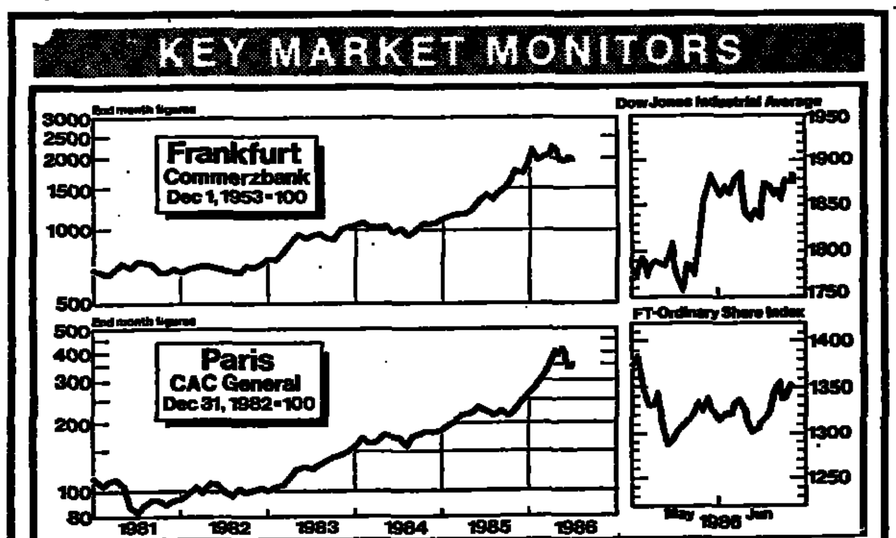
Tokia Carbon added Y71 to Y649 on brisk demand for silundum whiskers, a new material for cars. Morinaga Milk, which is expanding its biotechnology division, advanced Y46 to Y710 while Takaoka Electric, a maker of transformers, climbed Y98 to Y880, following increasing equipment investment by power firms.

Mitsui added Y18 to Y518 and Mitsubishi Y20 to Y860, with investors expecting both groups to benefit from falling interest rates. Nihon Nosan Kogyo, which has been attracting interest due to rumoured heavy buying of its shares by speculators, gained Y53 to Y979.

Trading decreased in low-priced, large-capital stocks which have been actively bought since early this month, but prices held firm. Ishikawajima-Harima Heavy Industries rose Y14 to Y311 in active trading while Tokyo Gas advanced Y13 to Y510. Nippon Kohan added Y5 to Y192.

Bond trading was slow. The barometer 6.2 per cent government bond maturing in July 1995 yielded 4.72 per cent, down from 4.73 per cent on Wednesday. The yield on the 5.1 per cent government bond due in March 1996 slipped below 5 per cent to 4.98 per cent temporarily but later turned up to finish at 5.02 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 26	Previous	Year ago
NEW YORK			
DJ Industrials	1,876.97*	1,885.05	1,323.81
DJ Transport	775.13*	782.13	656.48
DJ Utilities	195.43*	193.02	163.83
S&P Composite	248.21*	248.93	190.06
LONDON			
FT Ord	1,353.1	1,344.8	933.9
FT-SE 100	1,637.5	1,629.4	1,236.5
FT-A All-share	806.50	804.98	594.86
FT-A 500	891.86	888.98	648.25
FT Gold mines	202.1	193.5	432.2
FT-A Long gilt	9.35	9.33	10.60
TOKYO			
Nikkei	17,600.95	17,516.63	12,910.3
Tokyo SE	1,357.64	1,353.86	1,026.39
AUSTRALIA			
All Ord.	1,190.1	1,195.7	862.0
Metals & Mins.	509.7	509.5	508.6
AUSTRIA			
Credit Aktien	n/a	116.42	102.29
BELGIUM			
Belgian SE	3,688.96	3,676.78	2,314.57
CANADA			
Toronto			
Metals & Minls	2,118.3*	2,133.32	1,887
Composite	3,071.1*	3,066.2	2,704.8
Montreal			
Portfolio	1,561.84*	1,557.46	131.91
DENMARK			
SE	n/a	217.4	196.76
FRANCE			
CAC Gen	358.70	353.7	228.4
Ind. Tendance	135.10	133.5	83.2
WEST GERMANY			
FAZ-Aktien	637.42	646.86	473.64
Commerzbank	1,928.10	1,956.5	1,372.9
HONG KONG			
Hang Seng	1,750.38	1,759.72	1,565.19
ITALY			
Banca Comm.	684.92	671.71	337.46
NETHERLANDS			
ANP-CBS Gen	291.20	290.1	210.4
ANP-CBS Ind	284.50	283.9	174.6
NORWAY			
Oslo SE	360.70	364.6	322.21
SINGAPORE			
Straits Times	756.02	771.44	784.27
SOUTH AFRICA			
JSE Golds	–	1,258.7	1,010.9
JSE Industrials	–	1,175.7	978.5
SPAIN			
Madrid SE	175.52	177.16	77.59
SWEDEN			
J & P	2,428.45	2,399.1	1,315.42
SWITZERLAND			
Swiss Bank Ind	561.10	559.2	443.3
WORLD	June 25	Prev	Year ago
MS Capital Int'l	325.60	323.1	231.9

COMMODITIES

(London)	June 26	Prev
Silver (spot fixing)	335.20p	337.20p
Copper (cash)	£876.50	£897.50
Coffee (September)	£1,712.50	£1,684.50
Oil (Brent blend)	$11.475	$11.45

GOLD (per ounce)

	June 26	Prev
London	$345.00	$344.25
Zürich	$345.20	$344.25
Paris (fixing)	$344.52	$343.93
Luxembourg	$344.20	$343.20
New York (Aug)	$346.60	$347.10

CURRENCIES

	US DOLLAR		STERLING	
(London)	June 26	Previous	June 26	Previous
$	–	–	1.5195	1.517
DM	2.2215	2.215	3.375	3.3625
Yen	166.0	166.0	252.25	251.75
FFr	7.0825	7.07	10.7625	10.7175
SFr	1.8195	1.8175	2.765	2.7575
Guilder	2.503	2.494	3.805	3.785
Lira	1,525	1,518.5	2,317	2,303.5
BFr	45.45	45.25	69.05	68.65
C$	1.3935	1.3855	2.1168	2.106

INTEREST RATES

	June 26	Prev
Euro-currencies (3-month offered rate)		
£	9¹³⁄₁₆	9⅞
SFr	5½	5⅛
DM	4⅝	4⅝
FFr	7⅝₁₆	7⁹⁄₁₆
FT London interbank fixing (offered rate)		
3-month US$	7	6¹⁵⁄₁₆
6-month US$	7	6¹⁵⁄₁₆
US Fed Funds	6¾*	6⅞
US 3-month CDs	6.60*	6.925
US 3-month T-bills	6.07*	6.24

US BONDS

Treasury		June 26 Price	June 26 Yield	Prev Price	Prev Yield
7⅝	1988	100⁶⁄₃₂	6.898	100⁴⁄₃₂	6.932
7¼	1993	99¹³⁄₃₂	7.365	99²³⁄₃₂	7.40
7⅜	1996	99²⁴⁄₃₂	7.409	99²¹⁄₃₂	7.423
7¼	2016	98²⁶⁄₃₂	7.343	98²²⁄₃₂	7.356

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	June 25* Day's change	Yield	Day's change
1–30	152.10	+0.12	7.50	−0.03
1–10	144.62	+0.15	7.33	−0.04
1– 3	138.15	+0.15	7.04	−0.05
3– 5	146.48	+0.17	7.52	−0.03
15–30	178.99	+0.03	8.06	−0.00

Source: Merrill Lynch

Corporate	June 26* Price	June 26* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	90	6.77	90⅛	6.73
SCBT South Central				
10⅞ Jan 1993	106¼	9.61	106¼	9.61
Phibro-Sal				
8 April 1996	98	8.25	98	8.25
TRW				
8⅞ March 1996	102½	8.30	102½	8.30
Arco				
9⅞ March 2016	104.18	9.45	104.18	9.45
General Motors				
8⅛ April 2016	91¾	8.92	92½	8.82
Citicorp				
9⅝ March 2016	97.015	9.68	98.64	9.56

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	98–10	98–26	97–20	98–05
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94.28	94.30	94.22	94.27
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	n/a	n/a	n/a	93.64
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	93.34	93.36	93.28	93.37
20-year Notional Gilt				
£50,000 32nds of 100%				
Sep	122–27	122–28	122–09	122–22

* Latest available figures